

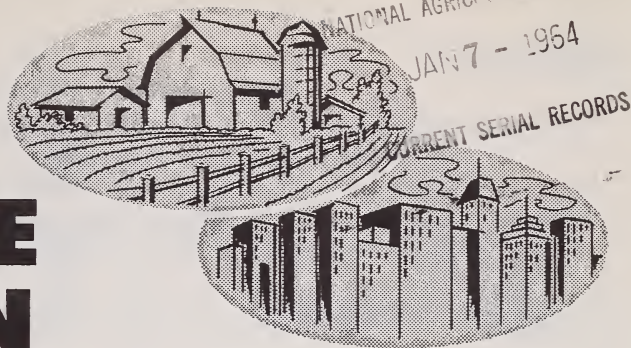
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# DEMAND AND PRICE SITUATION



DPS-98

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## AGRICULTURAL SITUATION AND OUTLOOK FOR 1964

Continued expansion in domestic demand for farm products and record high exports are anticipated for 1964. But dominant factors in the outlook for farm income next year include sharply reduced income from wheat and a continued uptrend in farm production expenses. Cash receipts from marketings and Government payments to wheat growers will be reduced,--perhaps by around \$600 million--from 1963 under the program presently effective for the 1964 crop. However, cash income from commodities other than wheat is expected to rise by possibly \$500 million from 1963 to 1964. Gross farm income in 1964, consequently, may be down only slightly from the \$41 billion estimated for 1963. Farm production expense increases averaged about \$3/4 billion a year in the past decade. With a continued advance in expenses, realized net farm income is expected to be lower in 1964, perhaps by 5 percent or more from the estimated \$12 1/4 billion in 1963. However, with the continued downtrend in the number of farms, realized net income per farm in 1964 is not expected to decline as much as total income. Much of the decline probably will be concentrated on farms where wheat receipts are a significant part of the total.

The appraisal of the outlook for agriculture in the coming year assumes the 1964 program for wheat, under present legislation, no change in programs for other commodities, and substantially increased exports of wheat and some other commodities to Communist-bloc countries. It also assumes a cut in personal and corporate taxes sometime early in 1964.

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AGRICULTURE**



Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1962		1963			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial production, seasonally adj. <u>1/</u>	: 1957-59=100	: 118	: 119	: 126	: 126	: 126	: ---
Final products	: do.	: 120	: 121	: 126	: 126	: 127	: ---
Consumer goods	: do.	: 120	: 121	: 126	: 126	: 127	: ---
Autos	: do.	: 136	: 142	: 153	: 140	: 144	: ---
Equipment, including defense	: do.	: 120	: 123	: 125	: 126	: 127	: ---
Materials	: do.	: 117	: 117	: 127	: 125	: 124	: ---
Construction: <u>2/ 3/</u>	:	:	:	:	:	:	:
Total outlays	: Mil. dol.	: 61,084	: 63,517	: 64,535	: 66,657	: 66,550	: 66,419
Public construction	: Mil. dol.	: 17,706	: 19,674	: 18,264	: 19,171	: 18,796	: 18,915
Private residential	: Mil. dol.	: 24,833	: 25,013	: 27,423	: 27,800	: 27,937	: 27,994
Housing starts, private only	: Thousands	: 1,463	: 1,537	: 1,599	: 1,440	: 1,687	: ---
Manufacturers' sales and inventories: <u>2/</u>	:	:	:	:	:	:	:
Total sales, seasonally adjusted	: Mil. dol.	: 33,260	: 33,480	: 35,930	: 35,320	: 35,430	: ---
Durable goods	: Mil. dol.	: 16,200	: 16,340	: 17,640	: 17,220	: 17,190	: ---
Unfilled orders-sales ratio <u>4/</u>	:	: 2.69	: 2.67	: 2.61	: 2.67	: 2.71	: ---
Inventory-sales ratio, total <u>5/</u>	:	: 1.72	: 1.71	: 1.64	: 1.67	: 1.67	: ---
Durable goods	:	: 2.02	: 2.00	: 1.91	: 1.96	: 1.97	: ---
Employment and wages: <u>6/</u>	:	:	:	:	:	:	:
Total civilian employment	: Millions	: 67.8	: 68.1	: 69.2	: 68.9	: 69.1	: 69.1
Nonagricultural	: do.	: 62.7	: 63.0	: 64.1	: 64.1	: 64.2	: 64.2
Unemployment	: do.	: 4.0	: 3.8	: 4.1	: 4.0	: 4.1	: 4.0
Workweek in manufacturing	: Hours	: 40.4	: 40.2	: 40.4	: 40.5	: 40.6	: ---
Hourly earnings in manufacturing	: Dollars	: 2.39	: 2.39	: 2.45	: 2.43	: 2.46	: ---
Income and spending:	:	:	:	:	:	:	:
Personal income <u>2/ 3/</u>	: Bil. dol.	: 442.1	: 447.7	: 464.2	: 465.1	: 466.4	: ---
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 63,458	: 60,626	: 65,364	: 66,137	: 66,343	: ---
Automobile	: Mil. dol.	: 19,384	: 19,083	: 21,242	: 21,468	: 21,396	: ---
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 19,613	: 19,875	: 20,719	: 20,666	: 20,385	: 20,861
Durable goods	: Mil. dol.	: 6,245	: 6,391	: 6,773	: 6,562	: 6,531	: 6,848
Inventory-sales ratio <u>5/</u>	:	: 1.40	: 1.38	: 1.35	: 1.35	: 1.37	: ---
Prices: <u>6/</u>	:	:	:	:	:	:	:
Wholesale prices, all commodities	: 1957-59=100	: 100.6	: 100.6	: 100.6	: 100.4	: 100.3	: ---
Commodities other than farm and food	: do.	: 100.8	: 100.7	: 100.8	: 100.8	: 100.8	: ---
Farm products	: do.	: 97.7	: 98.7	: 96.8	: 96.3	: 95.4	: ---
Foods processed	: do.	: 101.2	: 101.5	: 102.2	: 100.9	: 100.9	: ---
Consumer price index, all items	: do.	: 105.4	: 106.0	: 107.1	: 107.1	: 107.1	: ---
Food	: do.	: 103.6	: 104.3	: 106.2	: 106.0	: 105.4	: ---
Prices received by farmers <u>7/</u>	: 1910-14=100	: 243	: 245	: 245	: 242	: 241	: 241
Crops	: do.	: 230	: 227	: 239	: 234	: 232	: 234
Livestock and products	: do.	: 255	: 262	: 249	: 249	: 249	: 247
Prices paid, interest, taxes and wage rates <u>7/</u>	: 1910-14=100	: 306	: 307	: 312	: 311	: 311	: 311
Family living items	: do.	: 294	: 295	: 299	: 298	: 297	: 297
Production items	: do.	: 270	: 271	: 273	: 273	: 273	: 272
Parity ratio <u>7/</u>	:	: 79	: 80	: 79	: 78	: 77	: 77
Farm income and marketings: <u>7/</u>	:	:	:	:	:	:	:
Volume of farm marketings	: 1947-49=100	: 136	: 204	: 130	: 138	: 157	: 205
Cash receipts from farm marketings	: Mil. dol.	: 35,921	: 4,496	: 2,781	: 2,928	: 3,466	: 4,500

Annual data for most of the items for years 1929, 1941 and 1947-62 appear on page 39 of the April 1963 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.  
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N  
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Approved by the Outlook and Situation Board, November 8, 1963

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Consumer incomes after taxes this year are running nearly 5 percent above 1962 and a further substantial gain is in prospect for 1964. Total consumer spending for food in 1963 is 3 percent more than in 1962 and a further rise is indicated for next year. Increased expenditures for food reflect rising incomes, a growing population, a slight increase in per capita consumption, and a continued moderate uptrend in retail food prices.

Per capita income of consumers after taxes this year is averaging 3 percent above the 1962 level of \$2,060. Currently consumers are spending 19 percent of disposable income for food, down fractionally from last year. Per capita consumption of food in 1963 is up about  $\frac{1}{2}$  percent from a year ago, a fairly large gain compared with changes over the past decade. This is due primarily to sizable increases in consumption of meat, particularly beef. Retail food prices this year are averaging about  $1\frac{1}{2}$  percent above a year ago due in part to freeze damage and higher prices for citrus and winter vegetables, to sharply higher prices for sugar, and increased marketing costs. Retail food prices likely will increase again in 1964 though probably not as much as in 1963. Per capita use of farm products may change little from 1963 to 1964, though some further increase is indicated for beef and poultry.

Continued strength in economic activity abroad will support foreign markets for many U. S. farm products in 1964. In addition, reduced production of grain crops in Communist-bloc countries and Western Europe strengthen prospects for a record outflow of wheat. Commercial sales in total are expected to advance to a record level in the coming year and may total 70 percent of farm product exports. Sales of farm products for foreign currency under P.L. 480 and shipments under other export programs are expected to rise some from the \$11½ billion in fiscal 1962-63.

The value of U. S. exports of farm products in fiscal 1962-63 totaled \$5.1 billion, the same as a year earlier. In fiscal year 1963-64, these exports could rise to around \$6 billion, if sales of farm products to Communist-bloc countries are sizable. Wheat exports could rise to around 1 billion bushels from 639 million in 1962-63. In addition, larger export shipments are expected for cotton, soybeans, milk products, and tobacco. Exports of feed grains are expected to continue high, though they may fall slightly below 1962-63. Smaller export shipments are also expected for fruit and rice.

Farm output this year is estimated at 110 percent of the 1957-59 average, 2 points above 1962. Increases occurred in both crop and livestock production. Crop output is up nearly 2 percent from 1962; production increased for grains, cotton, oil crops, and sugar crops. Assuming average weather and continued advances in technology and yields, crop production is expected to rise further in 1964. Larger output is expected for wheat, soybeans, and sugar crops.

Although farm output increased this year, prospective increases in domestic use and exports are expected to reduce carryover stocks of grains. Wheat stocks by mid-1964 may be down to around 730 million bushels from nearly 1.2 billion on July 1, 1963. Such a decline is contingent upon substantial increases in wheat exports. Feed grain stocks likely will continue to decline in 1963-64 by about 3 million tons, from 62½ million tons carried over into 1963-64. Stocks declined 9 million tons in 1962-63. On the other hand, carryover stocks of cotton are rising and may increase about 1.7 million bales from the 11.2 million in August 1963. Carryover stocks of dairy products, which amounted to 12.7 billion pounds milk equivalent on January 1, 1963, are expected to be nearly one-fifth smaller on January 1, 1964, and further substantial decreases are likely during 1964.

Production of livestock products this year is totaling more than 2 percent larger than in 1962 due primarily to increased production of beef, pork, and poultry; milk production is down slightly from 1962. A further increase in livestock production is indicated for 1964, principally for beef and poultry. However, the gain in beef production probably will not match the large increase in 1963. Hog slaughter likely will drop below a year earlier by the second quarter of 1964 and will continue lower. June-November 1963 farrowings in Corn Belt States were down from 1962 and breeding intentions indicate a small reduction in December-February farrowings.



Prices received by farmers so far this year are a shade below 1962; a decline in livestock product prices of about 3 percent from 1962 is being nearly offset by higher prices for crops. Beef cattle prices in the third quarter averaged 5 percent below a year earlier. Hog prices were down nearly 7 percent, and chicken prices were down more than 7 percent from the third quarter of 1962. Prices of dairy products so far this year averaged close to levels of a year earlier; egg prices were up 2 percent.

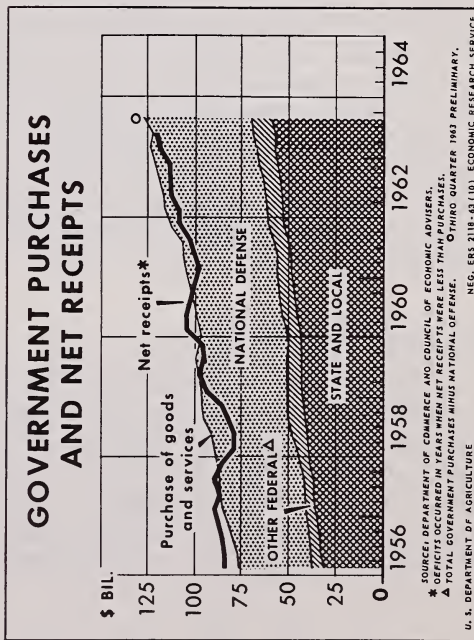
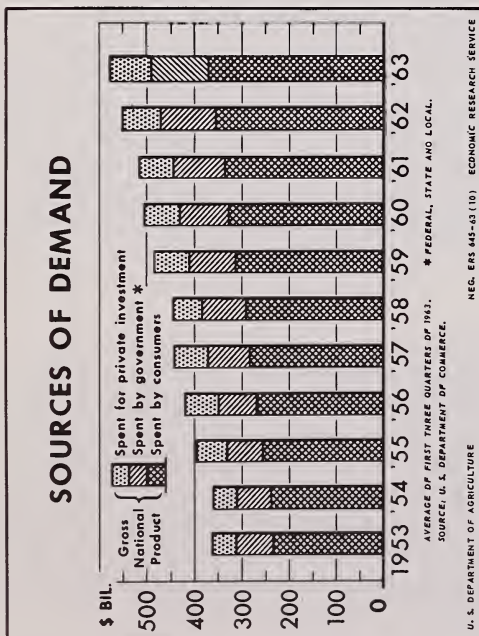
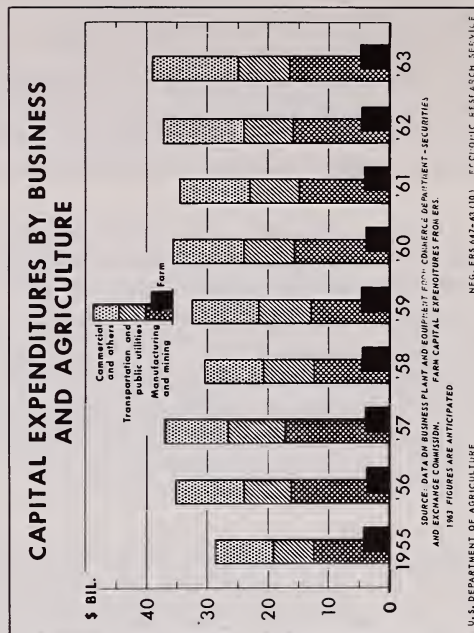
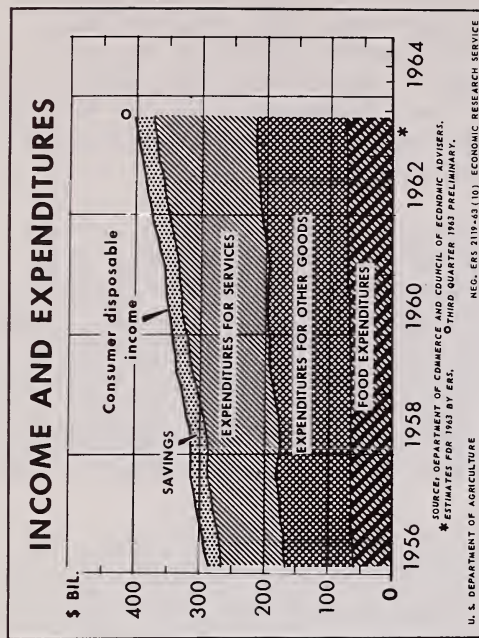
Prices received for most major farm commodity groups in 1964 are not expected to change much from 1963 levels this year except for wheat, which will be lower during the last half of 1964. The loan level for 1964-crop wheat, under current legislation and based on present parity, would be about \$1.25 per bushel compared with \$1.82 for the 1963 crop. Increases in production and utilization of wheat are in prospect for 1964; but the prospective price reduction would result in substantially lower cash receipts from marketings. Domestic demand for livestock products is strengthening and a relatively small rise in marketings is in prospect in 1964. Livestock product prices in 1964 may show little change from this year.

With slightly lower average prices for crops, prices received for all farm products are expected to average a little below 1963. Prices paid by farmers for goods and services used in production, are up this year by about 2 percent from 1962. They will continue to rise reflecting small increases in prices paid for commodities and a continued rise in interest and taxes per acre and in wage rates. Thus some further tightening in the general cost-price squeeze is indicated for agriculture.

Cash receipts from marketings so far in 1963 are slightly above 1962. They are nearly as large for livestock products but about 3 percent larger for crops. Crop prices and the volume of marketings increased; lower prices for livestock products more than offset the effect of larger livestock marketings. With Government payments continuing at least as high as in 1962, gross farm income this year may total a little above the nearly \$40.8 billion in 1962. But farm production expenses are running about \$600 million higher indicating a realized net farm income this year of around \$12 $\frac{1}{2}$  billion compared to \$12.6 billion in 1962.

### General Economic Outlook

Economic activity expanded at a brisk pace during the first 9 months of 1963 and for the year gross national product probably will total around 5 percent above 1962. Prospects for 1964 indicate an increase in national output at least as large as during 1963, leading to further increases in employment and consumer income. This appraisal assumes reduced tax rates on personal and corporate incomes of the size passed by the House of Representatives and being considered by the Senate. Approximately two-thirds of the proposed \$11 billion tax cut would be effective in 1964 with most of the cut coming in personal taxes. If tax rates are not reduced, the outlook for 1964 becomes less certain, particularly as the year unfolds. Prospective expansion in investment and further increases in Government outlays will contribute to the expected rise in





total demand for goods and services. Accompanying the expansion in demand are further expected increases in output and employment. The price level likely will continue increasing moderately. Consumer incomes after taxes will continue to rise in the coming year and could accelerate with a reduction in personal taxes.

Consumer expenditures this year are 5 percent above a year earlier. A substantial rise in consumer borrowing, particularly for auto purchases financed part of this increase. Rising incomes in 1964 are expected to result in a continued expansion in consumer buying. Consumer surveys during the summer and fall reported plans to purchase more durable goods in the coming months than were planned a year earlier. Another good auto year seems to be underway and outlays for other durable goods are expected to increase. With rising incomes, markets for food and other nondurable goods are expected to expand and expenditures for services will continue to increase, but probably at a slower pace.

Business expenditures for new plant and equipment increased throughout 1963 and further expansion is in prospect for next year. The rise in production in 1963 resulted in increased utilization of plant capacity in manufacturing. Many major manufacturing industries are operating below preferred rates and further expansion in demand is in prospect for consumer goods, for new investment, and for increased Government purchases. Rising corporate profits and new depreciation guidelines added materially to corporate funds (retained earnings plus depreciation allowances) and further increases in funds are expected from record 1963 levels. The increased flow of income and prospective expanded demand are stepping up the incentive as well as the ability to expand investment in new plant and equipment. Private surveys of business investment plans point to increases in plant and equipment outlays in 1964, possibly even larger than the 5 percent from 1962 to 1963.

Residential construction outlays have risen steadily since February and for the year may total 6 percent above the \$23.2 billion in 1962. Private housing starts averaged more than a 1.5 million-unit annual rate during the first 3 quarters of this year, 7 percent above a year earlier. Heavy construction of multi-family units in recent years apparently has been due in part to a rapid increase in marriageable age groups. Changes in age characteristics of the population in 1964 are likely to be associated with increasing demand for single-family dwellings relative to apartments. With rising incomes, residential construction activity is expected to continue high in 1964. Rising unit costs may push up outlays for new construction somewhat further in 1964.

Net accumulation of inventories amounted to \$5½ billion in 1962 and may total \$4½ billion in 1963. These accumulations are associated with expansions in gross national product of \$37 billion in 1962 and around \$29 billion this year. In general, inventory policy continued to be relatively conservative in 1963. With prospects for moderate increases in prices, net additions to inventory in 1964 are expected to reflect primarily an expanded volume of business.

Federal Government expenditures so far in 1963 totaled  $\$4\frac{1}{2}$  billion above 1962, but a somewhat smaller increase is indicated for the coming year. Defense outlays, including research and development, are not expected to expand as much as in recent years. Possible increases in purchases by some agencies likely will be offset by reductions in Commodity Credit Corporation investment in farm products. Purchases of goods and services by State and local governments so far in 1963 are up  $\$4\frac{1}{4}$  billion, annual rate, from the first 3 quarters of 1962. The rise in the coming year is expected to be at least as rapid, reflecting expanding school enrollment, increasing construction, and growing demand for other community services.

The rise in Federal, State, and local government purchases of goods and services in 1964 may not quite match the increase of nearly \$9 billion estimated for 1963. Government revenues in 1963 are rising a little more than expenditures and the Government deficit, on a national income account basis, is expected to total below the \$4 billion in 1962.

The deficit on the U. S. balance of payments account of the United States in the first 3 quarters of 1963 was substantially above the \$1.8 billion annual rate of a year earlier. Merchandise exports increased more than imports yielding a slight rise in the surplus on the goods and services account. But outflows of capital increased substantially. The latter may continue to be a payments problem in 1964 but increased agricultural exports are expected to lessen the balance of payments deficit.

Prospective increases in spending in 1964 by consumers, businessmen, and government point to an increase in demand at least as large as the gain in 1963. Expanding demand is expected to result in increased output and higher employment. However, with many major manufacturers producing below preferred operating rates, upward pressure on prices is likely to be moderate.

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## COMMODITY HIGHLIGHTS

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Production of red meat is increasing in 1963 and a further rise is expected in 1964. Most of the gain is in beef. Cattle numbers above a year earlier and larger fed-beef supplies at heavy weights are boosting winter production. Fed-cattle prices this winter will average below the first quarter of 1963 when Choice steers at Chicago averaged \$25.28. Farrowing intentions point to smaller hog slaughter during 1964 than a year earlier. Hog prices will likely average a little higher in 1964 than in 1963 in response to lower per capita supplies.

Milk production so far this year is about 1 percent below a year earlier; production per cow is continuing to rise but cow numbers are decreasing. Production next year may change little from the 125 billion pounds estimated for



1963. Domestic markets are expanding and export shipments are rising; carry-over stocks are expected to decline.

Egg production in 1963 is expected to be 176 million cases, slightly above 1962. A further small rise is in prospect for next year, mostly during the first half. Egg prices early in 1964 likely will be below a year earlier. Broiler production this year will probably be up around 4 percent above 1962 and a further rise is expected in 1964, particularly during the second half.

A further decline in the number of sheep points to less wool production in 1964. Domestic wool consumption, however, will be about the same as in 1963; an increase in imports of apparel textile products is expected to about offset a lower mill use of raw wool.

Wheat supplies this year are a little smaller than in 1962; production is up slightly but carryover on July 1 was down 10 percent. Exports during the current marketing year may total as much as 1 billion bushels; up from 639 million a year earlier. This estimate includes possible shipments to the Soviet Union and Eastern European bloc countries. Thus, even with prospective increases in production under the 1964 wheat program, supplies for the 1964 marketing year likely will be smaller than in 1963 though likely larger than requirements.

The rice outlook in 1963-64 is highlighted by a record crop and the largest supply since 1956. The export picture is uncertain although exports are expected to be about the same or a little above last year. However, carry-over stocks may be up somewhat by August 1964. Prices received by farmers in recent months have been substantially above the \$4.71 per cwt. support rate but because of the large crop they are expected to average only slightly above the loan for the 1963-64 year.

Feed grain supplies for 1963-64 are about 216 million tons, little changed from last year but 4 percent smaller than in 1961-62. Additional live-stock production is strengthening feed grain demand. Carryover stocks into 1963-64 decreased 9 million tons from 1962-63. Prices received in 1963-64 likely will average near 1962-63 levels.

Supplies of edible fats, oils, and oilseeds during the 1963-64 marketing year are forecast at a record 17 billion pounds, about 3 percent above last year. Domestic disappearance is expected to continue at about 46 pounds per person. Prospects are for exports of food fats through September 1964 to be record high, roughly 15 percent above the 4.3 billion pounds shipped abroad in 1962-63. Soybean prices to farmers are expected to continue strong, averaging about \$2.60 per bushel for the 1963-64 marketing year.

Production of citrus fruits in 1963-64 likely will be moderately below the reduced harvest a year earlier, a continuing effect of last winter's freeze damage. The 1964 deciduous fruit crop may slightly exceed 1963.

Supplies of fresh, canned, and frozen vegetables in 1963-64 are each expected to be slightly smaller than a year earlier. Potato supplies for fall



and winter markets are slightly larger than in 1962; prices to potato growers will likely average close to the relatively low levels of a year earlier. Sweetpotato production is 11 percent smaller than in 1962 and prices received for the current crop are expected to average at least moderately higher than last season.

Estimated cotton production this year is about 450,000 bales above 1962; acreage is smaller but yields are higher. Although domestic and foreign disappearance is expected to be above a year earlier, it will continue below production. Carryover of cotton is expected to increase again next August 1, up about 15 percent from the 11.2 million-bale carryover on August 1, 1963.

Continuing high levels of income and an increasing population favor further rises in cigarette and cigar consumption in 1964. Whether the outlook for tobacco products will be modified to any appreciable extent by a forthcoming Public Health Service report cannot be foreseen until its contents are made known and carefully appraised.

World sugar supplies are smaller this year and world prices are higher than in 1962. Sugar production is smaller in Cuba, Eastern Europe, and the USSR. Production of cane and beet sugar in the United States is larger reflecting increased acreage and higher yields. Further increases are in prospect for domestic and foreign sugar production in 1964.

Production of timber products in 1963 is about 10.3 billion cubic feet, about 0.2 billion higher than in 1962. Consumption is up about 0.1 billion cubic feet from 1962, mostly from increased use of saw logs, pulpwood, and veneer logs. Prices received for timber products are showing mixed trends reflecting changes in supply and demand for specific products.

Domestic rosin prices this year are running a little below 1962. Production is about the same and increased domestic consumption is being about offset by reduced exports. But disappearance is continuing below production and the domestic carryout next March 31 is expected to be the highest since the end of World War II.

The turpentine market is firm with stocks declining and prices rising as domestic and export requirements continue to exceed production and imports. Industrial requirements at home and abroad are expanding and turpentine carryover next March 31 is expected to be the lowest in 5 years.

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## GENERAL AGRICULTURAL SITUATION

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A growing domestic market is absorbing a record quantity of agricultural products in 1963 and continued growth is expected in 1964. Consumer income

after taxes in 1963 is running nearly 5 percent above 1962 and population is about  $1\frac{1}{2}$  percent larger (table 2). Reflecting an increasing population and expanding purchasing power, food expenditures in 1963 are totaling about 3 percent above 1962. Spending in 1964 for food, beverages, leather, textiles, and other farm products is expected to increase at least as much as it did in 1963. Disposable personal income per capita in 1963 is about 3 percent above 1962, but, with a relatively small income elasticity for food, expenditures per capita are rising  $1\frac{1}{2}$  percent. The rise in per capita expenditures this year reflects increased per capita consumption, growing demand for services, and a  $1\frac{1}{2}$  percent rise in retail prices.

Table 2.--Expenditures for food with comparisons  
1960 to date

Year	Popu- lation July 1 <u>1/</u>	Disposable personal income <u>2/</u>	Food expendi- tures <u>3/</u>	Per capita disposable personal income	Per capita food expendi- tures	Retail food price index <u>4/</u>
	<u>Mil.</u>	<u>Bil. dol.</u>	<u>Bil. dol.</u>	<u>Dol.</u>	<u>Dol.</u>	<u>1957-59=100</u>
1960	181	350	70	1,936	386	101.4
1961	184	364	71	1,984	386	102.6
1962	187	384	74	2,060	394	103.6
1963	189	<u>5/400</u>	<u>5/76</u>	<u>5/2,114</u>	<u>5/402</u>	<u>5/105.0</u>

1/ Total U. S. population, including Armed Forces overseas; includes Alaska and Hawaii. (Bureau of the Census).

2/ Includes Alaska and Hawaii. (Department of Commerce).

3/ Total food expenditures, excluding alcoholic beverages. (Department of Commerce).

4/ (Bureau of Labor Statistics).

5/ Average of first 9 months.

Food consumption per capita is about  $\frac{1}{2}$  percent above 1962; but little further gain is expected in 1964 (table 3). The increase in 1963 reflects a shift in consumption to more meat and vegetables but less eggs and oils than a year earlier. Red meat consumption is estimated at 170 pounds per capita in 1963, 6 pounds more than in 1962. Most of the gain is in beef.

Table 3.--Food consumption per capita, 1960-63 1/

(1947-49=100)								
Year	Meat	Poul-try	Eggs	Dairy, excl. butter	Fats and oils 2/	Fruits	Vege-tables 3/	All food 4/
1960	108	158	90	97	106	97	104	103.0
1961	107	174	87	94	105	93	104	103.2
1962	109	171	87	94	108	93	106	103.5
1963 <u>5/</u>	113	171	85	94	106	89	107	104.1

1/ Civilian consumption. Quantities of food items (using retail store weights) are combined in terms of 1947-49 retail prices. Ingredients of mixed foods are included in the primary groups given. Includes home-produced as well as commercial quantities.

2/ Includes butter.

3/ Excludes beans, peas, potatoes, and sweetpotatoes.

4/ In addition to foods listed includes fish, potatoes and sweetpotatoes, beans, peas and nuts, cereal products, sugar and sirups and coffee, tea and cocoa.

5/ Preliminary.

Economic Research Service.

Higher retail prices and lower prices at the farm gate this year are resulting in a further decrease in the farmers' share of the consumer's food dollar; down to 37 cents from the 1962 share of 38 cents. Next year, reflecting a lower price to growers for wheat used in bakery products and flour, the share likely will be 36 cents. The calculation of market share is based on market prices and does not reflect government payments to farmers. The cost of marketing domestically grown food products in 1963 is about \$45.7 billion, up 7 percent from 1962. The rise reflects an increasing volume of products handled as well as rising prices for labor, services, and overhead. This year, with the volume of food products rising and value per unit to farmer decreasing, the farm value of food produced in 1963 is expected to total about the same as in 1962.

#### Farm Product Prices Are a Little Lower

Prices received by farmers this year are running a shade below 1962; an increase in prices received for crops is being more than offset by lower prices for livestock and products (table 4). Corn prices received by growers during January-October were 11 percent above the first 10 months of 1962. Prices received for soybeans so far this year have averaged 6 percent above January-October 1962, and prices for grain sorghum were 3 percent higher.



Table 4. --Agricultural prices, marketings and income, 1961 to date

Item	Unit	1961				1962				1963			
		Year				Year				Year			
		I				II				III			
Prices received by farmers													
Crops	1910-14=100	240	243	244	245	242	241	241	241	241	241	241	241
Livestock and products	1910-14=100	227	230	225	229	233	245	245	245	234	234	234	234
	1910-14=100	251	255	260	257	250	238	238	238	247	247	247	247
Prices paid, interest, taxes and wage rates													
Family living items	1910-14=100	302	306	308	306	311	311	311	311	311	311	311	311
Production items	1910-14=100	291	294	295	294	297	297	297	297	297	297	297	297
	1910-14=100	266	270	272	269	274	273	273	273	208	208	208	208
Parity ratio		80	79	79	80	78	77	77	77	77	77	77	77
Volume of farm marketings													
Crops	1947-49=100	135	136	181	138	126	108	108	108	142	142	142	142
Livestock and products	1947-49=100	128	130	216	136	114	61	61	61	139	139	139	139
	1947-49=100	140	142	154	139	135	143	143	143	144	144	144	144
Cash receipts from farm marketings <sup>1/</sup>													
Crops	Bil. dol.	34.9	35.9	12.0	9.1	8.2	6.9	6.9	6.9	9.2	9.2	9.2	9.2
Livestock and products	Bil. dol.	15.5	15.9	6.5	4.2	3.4	2.2	2.2	2.2	4.3	4.3	4.3	4.3
	Bil. dol.	19.4	20.0	5.5	4.9	4.7	4.7	4.7	4.7	4.9	4.9	4.9	4.9
Farmers' realized net income <sup>2/</sup>	Bil. dol.	12.5	12.6	12.6	12.4	12.7	12.0	12.0	12.0	12.2	12.2	12.2	12.2

<sup>1/</sup> Seasonally adjusted annual rates are: 1962-III, \$35.8 billion; and IV, \$36.2 billion. 1963-I, \$36.4 billion; II, \$35.6 billion; III, \$36.1 billion.

<sup>2/</sup> Seasonally adjusted annual rates.

U. S. Department of Agriculture.

Prices received for citrus rose sharply reflecting freeze damage last winter. Cattle prices during the first 10 months of 1963 were 5 percent below a year earlier; prices received for hogs were 8 percent lower.

Prices received by farmers for livestock and products in 1964 likely will continue around this year's level. With prospects for some further increase in beef production, prices received for cattle likely will be close to the reduced level of 1963. Farrowing intentions point to possibly smaller pork production and some strengthening in prices. Egg prices, which rose slightly this year in response to smaller per capita supplies, are likely to return to lower levels in 1964. Turkey prices this year are running above a year earlier and are expected to average a little higher in 1964.

Prices received by farmers for crops in 1964 probably will be little changed from 1963 for most commodity groups, except for wheat. Loan rates for the 1964 crops of corn, barley and grain sorghum are set a little higher than those for this year's crop. Currently available information points to a further increase in tobacco support levels. Under current legislation and based on present parity, the 1964 wheat loan rate would be about \$1.25 per bushel compared with \$1.82 for the 1963 crop.

#### Production of Crops and Livestock Higher

The index of farm output in 1963, according to November indications, is 110 this year (1957-59=100), up 2 points from 1962 and at a record high level (table 6). The rise is generally distributed through the crops and the livestock sectors of the agricultural economy.

Crop output this year is indicated at a record-high level, nearly 2 percent above 1962, reflecting a larger acreage for harvest and higher yields. Acreage harvested in 1962 was sharply below that of previous years. Although drought was extensive in the United States in 1963, particularly in the South and East, the net effect was not adverse to this year's crop. Yields are indicated nearly 2 percent above the year-earlier record.

With average growing conditions and continuing adoption of new technology, crop output is likely to increase further in 1964. Current programs would again limit feed grain production. Current wheat legislation could result in increased acreage and production. Output increases are in prospect for soybeans and sugar beets. Citrus production in 1964-65, while likely to be above 1963-64 levels, will remain below the levels that would have been attained had there been no freeze damage last winter.

Table 5.--Support prices and season average prices, selected commodities, 1960-63

Commodity	Unit	Beginning of marketing season	1960		1961		1962		1963	
			: Support price	: Season average price	: Support price	: Season average price	: Support price	: Season average price	: Support price	: Season average price
			Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Wheat	Bu.	July	1.78	1.74	1.79	1.83	2.00	2.00	2/2.00	1.83
Corn	Bu.	Oct.	1.06	.997	3/1.20	1.08	3/1.20	1.11	4/1.25	1.08
Grain Sorghum	Cwt.	Oct.	1.52	1.49	1.93	1.80	1.93	1.82	5/2.00	1.73
Soybeans	Bu.	Oct.	1.85	2.13	2.30	2.28	2.25	2.34	2.25	2.56
Tobacco, flue-cured (11-14)	Lb.	July	.555	.604	.555	.643	.561	.601	.566	6/.584
Cotton, American upland ( Middling 1-inch)	Lb.	Aug.	7/.3242	.3008	.3304	.3280	.3247	.3160	.3247	.3256
Milk, manufacturing grade	Cwt.	Apr.	8/3.06	3.30	3.40	3.38	3.11	3.19	3.14	3.18

1/ Simple average from beginning of season to October 15.

2/ Includes wheat loan \$1.82 per bushel, payment 18 cents per bushel.

3/ \$1.20 was the support rate for producers participating in the 1961 and 1962 Feed Grain Programs.

4/ Includes corn loan \$1.07 per bushel, payment 18 cents per bushel.

5/ Includes grain sorghum loan \$1.71 per cwt., payment 29 cents per cwt.

6/ Gross price sales.

7/ Choice A was \$.3242. Choice B was \$.2663.

8/ Increased to \$3.22 September 17, 1960 and \$3.40 March 10, 1961.



Table 6.--Farm production: Index numbers of total farm output, gross production of livestock and crops, and related indexes, United States 1/

(1957-59=100)

Item	: 1960	: 1961	: 1962	: Preliminary 1963 <u>2/</u>
Farm output	106	107	108	110
All livestock and livestock products <u>3/</u>	102	106	107	109
Meat animals	103	106	108	111
Dairy products	101	103	104	103
Poultry and eggs	104	112	111	113
All crops <u>4/</u>	108	107	108	110
Feed grains	109	99	101	108
Hay and forage	103	102	106	101
Food grains	115	106	97	101
Vegetables	103	110	109	109
Sugar crops	102	115	121	150
Cotton	116	116	119	124
Tobacco	112	119	131	129
Oil crops	105	122	123	131

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency", USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1963 based on November 1963 "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes minor livestock products not included in the separate groups shown.

4/ Gross crop production includes fruits and nuts and some miscellaneous crops not in the separate groups shown.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

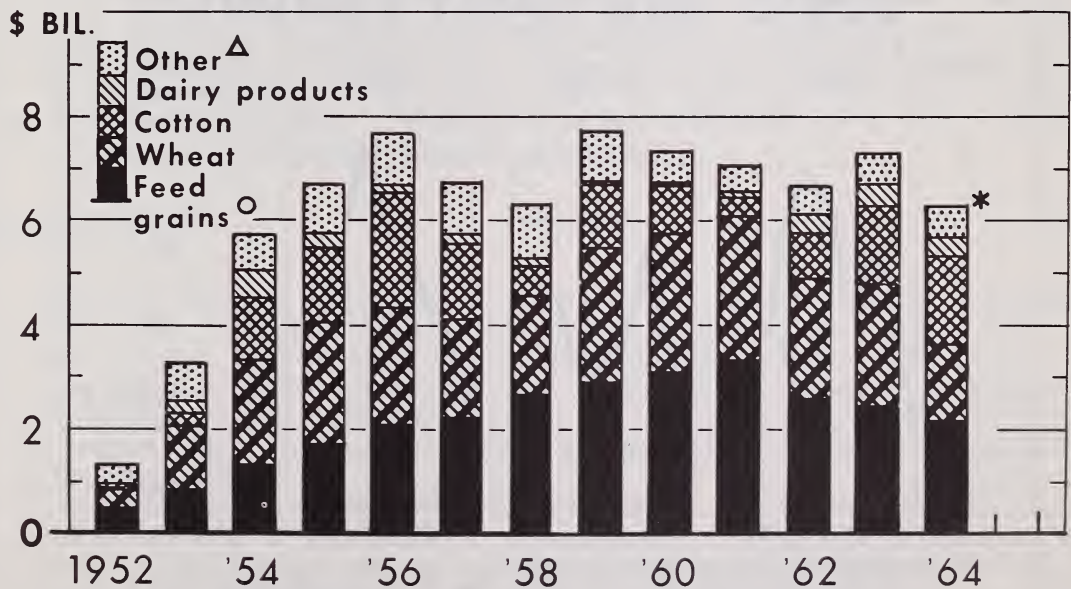
Livestock and products production this year is running around 2 percent above 1962 with more beef, pork, poultry, and eggs, but less milk, lamb and mutton, and wool. Further increases are in prospect for 1964 with more beef, poultry, and eggs, but less pork, sheep, lamb, wool. Little change is expected in milk production.

Increased crop and livestock output this year, and prospects for further increases next year, require increased farmer use of agricultural products, particularly of crops for feed and seed. Feeding of corn and grain sorghum is expected to be up somewhat during 1963-64 from a year earlier. With prospects for lower wheat prices next summer, possibly more wheat will be used for feed next year.

CCC Investment Trends  
Downward with Interruption  
in 1962-63

Commodity Credit Corporation investment in basic commodity inventories and loans outstanding on August 31, 1963, totaled \$7,028 million, up from \$6,801 million a year earlier. In the last fiscal year, reductions in CCC holdings (owned or under loan) of grains and soybeans did not offset a sizable increase in holdings of cotton and small increases in tobacco loans and dairy inventories. The increase in CCC investment in fiscal 1962-63 interrupted a downtrend begun in 1959-60 (see chart). However, the downtrend likely will be resumed in the current fiscal year. A prospective further reduction in wheat, corn, and grain sorghum stocks and smaller dairy inventories, would outweigh probable increases in cotton and tobacco. About a 13 percent increase in cotton yields has boosted production considerably beyond prospective domestic mill and export requirements. Investment in soybeans likely will continue at minimal levels.

## CCC PRICE SUPPORT INVENTORIES AND LOANS, END OF FISCAL YEAR



△ PRIMARILY SOYBEANS AND TOBACCO.

○ INCLUDES CORN, BARLEY, GRAIN SORGHUMS, OATS AND RYE.

NOTE: INVENTORIES ON REVISED ACCOUNTING BASIS.

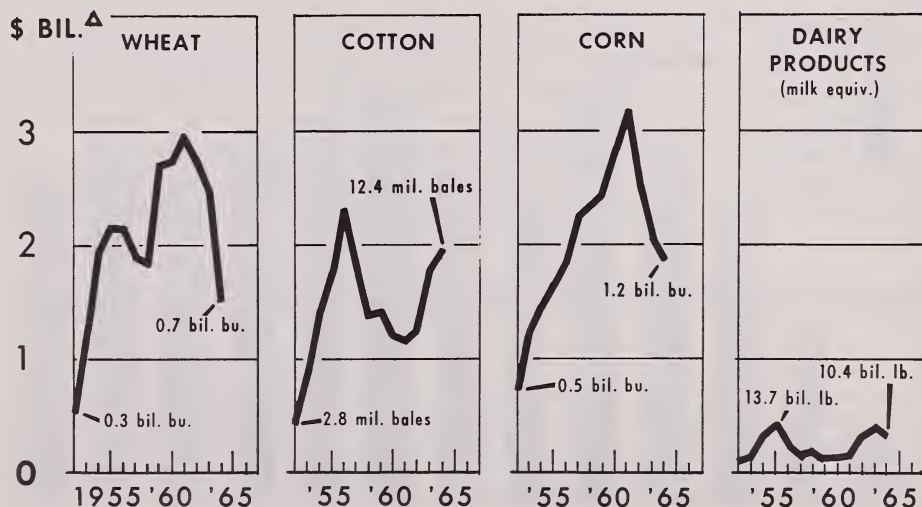
\*ESTIMATE BY ERS, OCT. 1963

Carryover May be Smaller

Overall stocks of crops at the end of the 1962-63 crop year were little changed from the preceding year, with increases in cotton and tobacco stocks about offset by decreases in grains and soybeans (see chart). Carryover at the end of 1963-64 may be considerably smaller than in the past 2 years. All major grains are expected to decline. Carryover of wheat on July 1, 1964, estimated at 730 million bushels, would be about one-half of the peak--1,411 million bushels on July 1, 1961, and will be the smallest carryover since 1953. Carryover of corn declined in the past 2 years at a rate of around 350 million bushels per year to 1,295 million on October 1, 1963. Carryover may decline again in 1964, but by a much smaller amount than in 1962-63.

Cotton stocks on August 1, 1964 will rise from a year earlier, possibly to 12.9 million bales from 11.2 million. The record cotton carryover was 14.5 million bales on August 1, 1956. Soybean carryover, which totaled 58 million bushels on October 1, 1962, declined to 15 million bushels in 1963 and is expected to remain at a minimal level in 1964. Some further increase is expected in stocks of tobacco in mid-1964.

## CARRYOVER OF WHEAT, COTTON, CORN, AND DAIRY PRODUCTS



Δ COMMODITIES VALUED AT 1955 SUPPORT LEVELS.

YEARS BEGINNING: WHEAT, JULY 1; COTTON, AUG. 1; CORN, OCT. 1; AND DAIRY PRODUCTS, JAN. 1.

1964 BASED ON INDICATED PRODUCTION AND DISAPPEARANCE AS OF OCTOBER 1963.



Dairy stocks, which trended upward for 3 years, turned down in the third quarter reflecting slightly smaller milk production and increased domestic consumption and exports. Dairy stocks on January 1, 1964, will likely be about 2 billion pounds smaller than the 12.7 billion (milk equivalent) a year earlier. Stocks are expected to continue declining in 1964.

#### Farm Expenses Continue Rising

Farm production expenses are rising this year and are expected to continue their upward trend through 1964. Over the past decade, the rise in farm production expenses averaged three-fourths billion dollars per year. This year, expenses are rising about \$600 million from the 1962 level of \$28.2 billion. The rise in 1963 is due mainly to higher prices paid; more capital assets are being used but less labor is being employed.

Prices paid by farmers are rising about 2 percent this year. Prices for interest and taxes per acre and for wages are continuing upward; prices paid for production items and family living are rising a little faster than in recent years. With the continued rise in prices paid and little change in prices received, the parity ratio is estimated at 78 this year, down from 79 in 1962 and from 80 in 1961.

Purchases of farm capital equipment slowed during 1960 but picked up again in 1961 and 1962. This year, further increases are occurring, leading to increased expenses for depreciation and operation of machinery and equipment. Farmers are using more fertilizer this year. They are buying more feed at higher prices to support an increased volume of livestock and product output. To make additional purchases, farmers are using more short-term credit than formerly, leading to increased interest payments.

#### Assets and Net Worth Continue Rising

Resources used in agriculture were valued at \$216.5 billion on January 1, 1963, an increase in value of \$8.5 billion from a year earlier (table 7). An increase of \$9.7 billion is indicated for January 1, 1964. Most of the rise in the value of farm assets in recent years can be traced to increases in the value of farm real estate. Increasing numbers of livestock contributed to the rise during 1962. The value of motor vehicles and machinery is increasing moderately as purchases again exceed depreciation. However, the estimated physical quantity of farm assets on January 1, 1963 totaled only slightly above 1962, chiefly because of increases in inventories of crops and livestock. A small further quantitative rise by January 1, 1964 is in prospect reflecting more livestock and machinery.

Total assets of farmers are increasing as a result of higher land values and partly through savings and accumulation of net worth and partly through additional debt. Of the value being added to total assets this year from January 1, 1963 levels, about one-fourth is coming from additional debt and three-fourths from increasing net worth. On January 1, 1963 farmers' equities

amounted to just over \$86 per \$100 of total assets, down a little from nearly \$87 a year earlier. The increases in short-term and mortgage debt mean that while total equities are increasing, percentage equities are continuing to decrease. Farmers equities likely will be reduced an additional 50 cents per \$100 of total assets by January 1, 1964.

Table 7.--Agricultural assets in current dollars, United States, January 1, 1963, with comparisons

Year	Real estate	Live- stock <u>1/</u>	Machinery and motor vehicles	Crops <u>2/</u>	House hold <u>3/</u>	Finan- cial	Total
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1960	129.9	15.6	18.6	7.8	9.6	18.9	199.4
1961	131.4	15.5	18.2	8.0	8.9	17.6	199.7
1962	137.4	16.4	18.6	8.7	9.1	17.8	208.0
1963	143.6	17.2	19.3	9.1	8.9	18.4	216.5
1964 <u>4/</u>	152.0	( - - - - - )	-55.4	( - - - - - )	- - - - -	18.8	226.2

1/ Beginning with 1961 horses and mules are excluded.

2/ Stored on or off farms.

3/ Includes furnishings and equipment.

4/ Preliminary.

#### Realized Net Farm Income Smaller This Year

Realized net farm income during the first 3 quarters of 1963 was 12.3 billion, annual rate, down from \$12.6 billion a year earlier (table 4). Gross income rose \$300 million from 1962, but expenses were higher. An increased volume of marketings of crops and livestock products this year resulted in cash receipts in January-September of \$36 billion, at an annual rate, up \$200 million from a year earlier. Lower prices received for livestock and products resulted in smaller cash receipts for these products than a year earlier despite a larger volume of marketings. But these reductions were more than offset by a larger volume of crops marketings and by prices received above a year earlier. Adding to this year's rise in gross income is a small increase expected in Government payments to farmers. Expenses by farmers for production items so far this year are estimated about \$600 million, at an annual rate, more than a year earlier, more than offsetting the small gain in gross income and resulting in a smaller realized net income to farmers.

Fewer Farms and Increasing  
Productivity in 1963

The number of farms in the U. S. is continuing to decrease; down 3 percent this year from 1962 (table 8). Inasmuch as there is only a moderate decline in the number of acres of farmland, acreage per farm is increasing. The value of production assets per farm is rising rapidly; 8 percent more January 1, 1963 than a year earlier. An additional increase of about 8 percent is likely by January 1, 1964. The use of more land and capital per farm is leading to sizable increases in productivity; output per farm this year is indicated about 5 percent above 1962 and 14 percent above 1960. Realized net income per farm has been rising in recent years, but this year little change is indicated from the record-high \$3,414 estimated for 1962.

Table 8.--Income per farm and farm size, 1960 to date

Year	Number of farms <u>1/</u>	Acres per farm <u>2/</u>	Production assets per farm <u>3/</u>	Output per farm <u>4/</u>	Realized net income per farm <u>1/</u>
	<u>Thousands</u>	<u>Acres</u>	<u>Dollars</u>	<u>1960=100</u>	<u>Dollars</u>
1960	3,949	297	42,300	100	2,961
1961	3,811	307	44,074	105	3,269
1962	3,688	316	47,578	109	3,414
1963	<u>5/</u> 3,580	<u>5/</u> 324	51,472	114	<u>5/</u> 3,415

1/ Excludes Alaska and Hawaii.

2/ Ratio of land in farms to number of farms.

3/ January 1 average value of production assets per farm, including real estate, livestock and crop inventories, machinery and motor vehicles, and miscellany.

4/ Ratio of index of farm output (1957-59=100) to number of farms, adjusted to base 1960=100.

5/ Preliminary.

Statistical Reporting Service and Economic Research Service.



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FACTORS AFFECTING DEMAND  
FOR FARM PRODUCTS

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Economic activity expanded at a brisk pace during the first 9 months of 1963 and for the year probably will total around 5 percent above 1962. The gross national product was at an estimated \$588.5 billion annual rate in the third quarter, 5 percent above a year earlier (table 9). Demand expansion over the year was broad based with increases in consumer purchases, investment outlays, and government expenditures. With the general expansion in demand, industrial production rose through the first 3 quarters of 1963. Output in the third quarter was more than 5 percent above a year earlier. Employment in the third quarter totaled 69.1 million persons, about 1 million above a year earlier. A corresponding rise in the labor force kept the rate of unemployment at 5.6 percent, about the same as in the third quarter of 1962.

CONSUMER INCOME AND EXPENDITURE

Consumer Incomes Up

Personal income in the third quarter of 1963 was at a \$465 billion annual rate, about 4.5 percent above the third quarter of last year and 14 percent above the recent low in the first quarter of 1961. Consumer income has expanded steadily during the current expansion and for 1963 will total about 4.5 percent above 1962. Unlike 1962, much of the recent expansion in personal income occurred in manufacturing and other commodity-producing industries. Manufacturing payrolls, which were stable during most of 1962, advanced sharply in 1963 from \$94.7 billion, annual rate, in January to \$99 billion in September. Payrolls in the distributive and service industries, primary sources of strength during 1962, continued to expand steadily in 1963. Corporate dividend payments have been running about 6 percent above 1962.

During recent years, personal income tax payments have averaged about 13 percent of personal income. In the third quarter personal tax payments were at an annual rate of \$60.8 billion. Tax legislation, passed by the House of Representatives and currently being considered by the Senate, would reduce personal income taxes by around \$5½ billion effective January 1, 1964. If this legislation is passed, a corresponding rise in disposable personal income can be expected. For 1964 as a whole, the combination of rising incomes and lower tax rates likely would result in an expansion of consumer disposable income greater than in 1963.

Table 9.--Other economic factors affecting agriculture (seasonally adjusted annual rates)

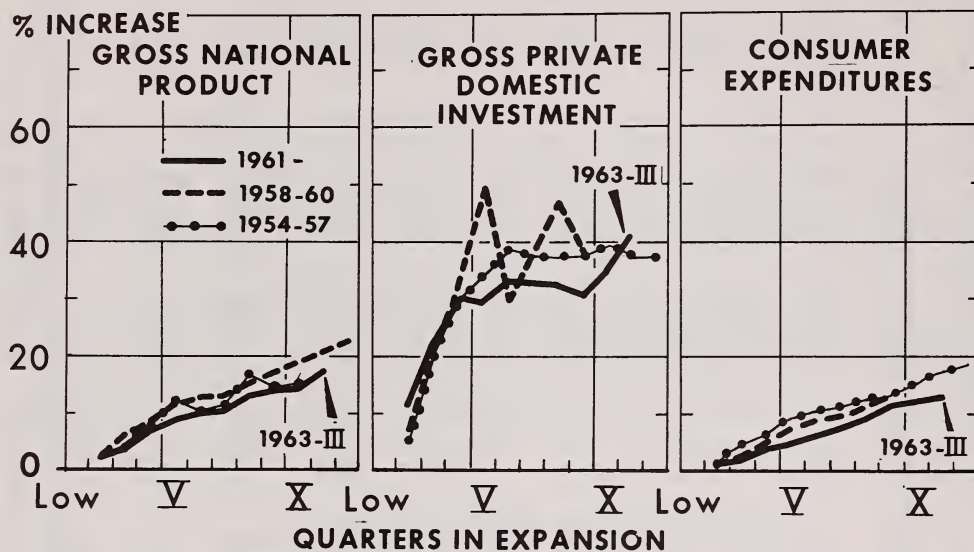
Item	Unit	Year 1962	1962				1963			
			III	IV	I	II	III	I	II	III
Gross national product	Bil. dol.	554.9	556.8	565.2	571.8	579.6	588.5			
Personal income	Bil. dol.	442.1	444.5	449.9	453.9	459.9	465.2			
Disposable personal income	Bil. dol.	384.4	386.5	391.4	394.5	400.0	404.4			
Personal consumption expenditures	Bil. dol.	355.4	356.7	362.9	367.4	370.4	374.3			
Durable	Bil. dol.	48.2	47.7	50.5	50.6	51.0	50.5			
Nondurable	Bil. dol.	161.4	162.5	163.6	165.3	165.9	168.5			
Services	Bil. dol.	145.7	146.6	148.9	151.4	153.5	155.3			
Personal saving	Bil. dol.	29.1	29.7	28.5	27.1	29.6	30.1			
Net government receipts	Bil. dol.	113.0	114.0	114.8	118.8	122.3	-			
Government purchases	Bil. dol.	117.0	117.0	120.2	123.0	123.8	126.0			
Deficit or surplus (on income and product account)	Bil. dol.	-3.9	-3.0	-5.4	-4.2	-1.5	-			
Gross private domestic investment	Bil. dol.	78.8	78.9	78.8	77.8	80.7	83.9			
Fixed investment	Bil. dol.	73.2	75.3	74.9	72.7	76.5	79.4			
Change in business inventories	Bil. dol.	5.5	3.6	4.0	5.1	4.3	4.5			
Expenditures for plant and equipment	Bil. dol.	37.31	38.35	37.95	36.95	38.05	2/39.95			
Corporate profits (before taxes)	Bil. dol.	47.0	46.1	49.3	48.8	50.1	-			
Net exports of goods and services	Bil. dol.	3.8	4.1	3.3	3.6	4.8	4.3			
Overall foreign payments balance	Mil. dol.	-2,186	-1,424	-3,172	-3,224	1/-5,200	-			
Population 3/	Millions	186.6	187.0	187.7	188.4	189.0	189.7			
GNP implicit price deflator	1962=100	100.0	100.2	100.5	100.9	101.4	101.9			
Per capita disposable personal income (1962 prices)	Dollars	2,060	2,065	2,075	2,075	2,092	2,096			

1/ Preliminary. 2/ Estimates based on anticipated capital expenditures as reported by business.

3/ Population of the United States including Armed Forces abroad. Annual data as of July 1; quarterly data centered in the middle of the period.

Departments of Commerce, Agriculture and Securities and Exchange Commission.

## PERCENT INCREASES FROM CYCLICAL LOW IN THREE EXPANSION PERIODS\*



SOURCE: U. S. DEPARTMENT OF COMMERCE.

\* NATIONAL BUREAU ECONOMIC RESEARCH REFERENCE CYCLE.

U. S. DEPARTMENT OF AGRICULTURE

INEG. ERS 2534-63 (10) ECONOMIC RESEARCH SERVICE

### Consumption Outlays Rising

Consumer spending has responded to rising incomes and in the third quarter outlays were at a rate of \$374.3 billion, 5 percent above a year earlier. Consumer outlays increased an average \$4.4 billion per quarter since the first quarter of 1961.

Consumer outlays for durable goods, at a \$50.5 billion annual rate in the third quarter, were 6 percent above the third quarter of 1962 and 11 percent above the recession low in the first period of 1961. During the current expansion, all major categories of durable goods gained. Generally, automobile and auto parts sales serve as the focal point for durable goods analyses because these industries account for about 40 percent of durable sales. Since the third quarter of 1962, about 60 percent of the increase in consumer expenditures for durable goods has been for automobiles or related items. These sales so far this year total about 10 percent above 1962. With home building at a high level, sales of household goods are up about 4.5 percent from the first 3 quarters of 1962.



For the past 2 years, expansion in consumer incomes and increases in installment credit have provided the means of payment for the relatively-high level of durable goods purchases. At current levels of disposable income, installment credit repayments are about 13.5 percent of after-tax incomes, which is relatively high. For the past 6 or 8 quarters, net increases in installment credit outstanding have averaged around a \$5 billion annual rate. Consumer surveys have indicated that as late as September, consumer plans to purchase automobiles and appliances were higher than at the same time in 1962. Increased disposable income would permit their plans to be realized.

Spending for nondurables has increased in each quarter since the third quarter of 1960. In the third quarter of this year, outlays rose \$2.5 billion to a \$168.5 billion annual rate, and were almost 4 percent above the third quarter of 1962. About a third of the increase from last year was in food and alcoholic beverages. Outlays for petroleum products were about \$1 billion above the third quarter of last year. Nondurable outlays can be expected to rise further in 1964 with expenditures for food up more than in the past year.

The uptrend in consumer outlays for services continued in the third quarter to a \$155.3 billion annual rate, about \$9 billion above the third quarter of 1962. About 25 percent of the increase was in rents and imputed rental value of owner-occupied homes. Spending for transportation and household operation also increased.

Consumer expenditures for services have trended upward for many years. Price increases have accounted for about one-half the yearly rise in services. Expenditures for services, including outlays for shelter, medical expenses, education, transportation, and household operation, are often the kind which cannot be easily postponed. Rising incomes are expected to permit a continuation of the uptrend in outlays for services, adding possibly another \$7 or 8 billion to consumption outlays in 1964.

#### BUSINESS INVESTMENTS

Gross private domestic investment rose to an \$83.9 billion annual rate in the third quarter. This was 6 percent above a year earlier and a 41 percent expansion from the first quarter of 1961. All major components of private investment were above year-earlier levels.

#### Plant and Equipment Expenditures

Plant and equipment outlays by business totaled \$40 billion, annual rate, in the third quarter, up 4 percent from a year earlier and 19 percent above the low of the last recession. According to an SEC-Commerce August survey, businessmen have programmed outlays for the fourth quarter at a \$41.1 billion annual rate. Manufacturers accounted for over one-half the expansion in plant and equipment outlays in 1963. Spending by railroads, public

utilities, and commercial firms also rose, but expenditures of mining and non-rail transportation firms were down slightly.

The outlook for plant and equipment spending in 1964 is favorable. Durable and nondurable goods industries appear to have higher output-to-capacity levels this year. Overall industry capacity utilization rates have risen in 1963 and some industries are operating near preferred rates. Internally generated funds (retained earnings plus depreciation allowances) of businesses are at record levels and are expected to continue rising. New capital appropriations approved by manufacturers have been trending upward indicating increased outlays at least through the first quarter of next year. Results of a private survey indicate that businessmen in 1964 plan to increase plant and equipment outlays at about as much as they did from 1962 to 1963.

### Construction Activity Increases

Construction spending expanded at a rapid pace in the third quarter. Residential construction was at a \$25.8 billion rate, \$1.6 billion above the third quarter of 1962. Other construction, consisting mainly of commercial and industrial projects, also rose. Unusually severe winters in both 1962 and 1963 interrupted the current expansion in construction outlays.

In prior postwar business cycles, residential construction tended to move counter to general business. During this expansion, however, demand for housing expanded with other types of demand. Rising incomes and continued availability of mortgage funds at relatively low interest rates bolstered demand for new construction.

Recent strong demand for apartment units reflects large increases in population in the 20-24 age group. Young married couples are the major source of rising demand for apartment units. The demand for single-family homes tends to originate among persons in the 25-44 age group. A temporary lull in the expansion of the number of persons 20-24 years old is expected in 1964, due to a smaller number entering and a larger number leaving that age group. This may temporarily moderate the demand for apartment construction. The population in the 25-44 age group has been rising for the past couple of years, reversing a downtrend of several years. This may bolster the construction of single-family housing. A continued high level of construction activity is in prospect for 1964. Construction costs are expected to continue upward, resulting in some increase in housing outlays.

### Inventory Investment

Inventory accumulation in the third quarter was at a \$4.5 billion annual rate, about \$1 billion above a year earlier. Uncertainties in the steel industry during 1963, as in 1962, influenced the quarterly pattern of inventory expansion. Both years were characterized by a high rate of accumulation in the early part of the year. Subsequent reductions were concentrated in the summer months but carried into the fall. However, the fluctuation in 1963 was more moderate than that of 1962, largely because consumer demand was higher than expected.



Inventory accumulations, amounting to \$5.5 billion in 1962 and an estimated \$4.3 billion in 1963, accompanied expansions in gross national product of \$37 billion in 1962 and an estimated \$29 billion in 1963. In general, inventory policy continued relatively conservative in 1963. With prospects for only small increases in prices, net additions to inventory in 1964 are expected to reflect primarily the expansion in the volume of business.

#### GOVERNMENT DEMAND

Government purchases of goods and services totaled \$126 billion, annual rate, in the third quarter compared with \$117 billion a year earlier. Outlays by governments accounted for \$9 billion of the \$32 billion increase in gross national product since the third quarter of 1962.

Federal purchases were at a \$66.6 billion annual rate in the third quarter, \$4.2 billion above a year earlier (table 10). Expenditures for defense in the third quarter were more than \$3 billion above the third quarter of 1962. Adding to Federal purchases in the first 3 quarters of this year has been an increase in Commodity Credit Corporation investment in farm products from a year earlier. Changes in CCC inventories and loans outstanding show up in gross national product as a purchase or sale (negative purchase) of goods by the Federal Government. CCC investments were larger in fiscal 1962-63 than a year earlier but the downtrend which began in 1959-60 is expected to be resumed in 1963-64.

Table 10.--Government purchases of goods and services, third quarter 1962 to third quarter 1963, seasonally adjusted annual rates

Item	1962		1963	
	III	IV	I	II
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Government purchases of goods and services <sup>2/</sup>	117.0	120.2	123.0	123.8
Federal <sup>2/</sup>	62.4	63.6	65.5	66.5
National defense	53.5	54.3	56.4	56.7
Other	9.7	10.4	10.1	10.6
State and local	54.6	56.6	57.5	57.3

<sup>1/</sup> Preliminary estimates by Council of Economic Advisers.

<sup>2/</sup> Less Government sales.



Purchases of goods and services by State and local governments expanded by \$4.8 billion from the third quarter of last year to the third quarter of this year. Employment at the State and local level increased by about 300,000 persons, accounting for about one-half the increase in outlays. The rest of the increase was in construction spending and equipment purchases. On the average, purchases of goods and services by State and local units have increased about 7.5 percent per year over the past 5 years. During 1964, basic factors determining State and local outlays will exert continued upward pressure on expenditures. School enrollment for the 1963-64 term is estimated to have increased by 1.4 million, about average for recent years. Increased numbers of families and expanding commercial and industrial construction will be accompanied by increased demands for sewers, water, police protection, roads and various other community services.

Government revenues in 1963 are averaging 8 or 9 percent above 1962. The total Government deficit on the income and product account was \$4 billion in 1962 but likely will total substantially less this year. If tax rates are reduced, revenues would initially adjust to a lower level in early 1964. From this lower level, revenues would rise with the expected expansion in gross national product.

#### PRODUCTION AND EMPLOYMENT

The Federal Reserve index of industrial production rose steadily through the first 3 quarters of 1963 after remaining virtually stable for most of 1962 (table 11). During the third quarter, production equaled 126 percent of the 1957-59 average, compared with 124 percent in the previous quarter and 120 percent in the third quarter of 1962.

Increases in output through the first 3 quarters of this year were fairly general. Output of consumer goods rose in every month except April and in the third quarter averaged 4.5 percent above a year earlier. Production of the equipment industries, which was sluggish in the spring months, spurted in summer and fall. In the third quarter, equipment output was 2 percent above a year earlier. Raw materials production in the third quarter was sharply above year-earlier rates.

In the third quarter, the civilian labor force numbered 73.1 million persons; employment totaled 69.1 million leaving the seasonally adjusted rate of unemployment at 5.6 percent (table 12). In the 12 months beginning October 1962, the labor force grew by about 900,000 persons. Employment increased by about 1 million persons and the rate of unemployment ranged between a low of 5.3 percent last October and a high of 6.1 percent last February.

Table 11.--Index of industrial production, third quarter 1962  
to third quarter 1963, seasonally adjusted

Item	(1957-59=100)					
	1962			1963		
	III	IV	I	II	III	
Industrial production, total	120	119	120	124	127	
Industry groupings:						
Total manufactures	120	120	121	125	126	
Durable manufactures	119	119	120	125	126	
Nondurable manufactures	121	121	122	124	127	
Mining	106	105	104	108	111	
Utilities	133	133	137	139	144	
Market groupings:						
Final products	121	121	122	124	126	
Consumer goods	121	121	123	124	127	
Equipment, including defense	122	123	121	122	126	
Materials	118	117	118	125	125	

Board of Governors of the Federal Reserve System.

Table 12.--Employment and labor force, third quarter 1962 to  
third quarter 1963, seasonally adjusted

Item	(Millions of persons 1/)					
	1962			1963		
	III	IV	I	II	III	
Civilian labor force	72.1	71.9	72.5	72.9	73.1	
Employment	68.0	68.0	68.3	68.7	69.1	
Nonagriculture	62.9	63.0	63.3	63.7	64.1	
Agriculture	5.1	5.0	5.0	5.0	4.9	
Unemployment	4.0	4.0	4.2	4.2	4.1	
Rate of unemployment, percent	5.6	5.5	5.8	5.8	5.6	

1/ 14 years of age and over.

U. S. Department of Labor.

Average hours worked per week in mid-October were about the same as a year earlier. Average hourly earnings increased 7 cents from year-earlier levels. Output per man and output per man hour continued to trend upward during 1962 and the first 3 quarters of 1963. Output per man-hour rose about 4 percent in 1962 from 1961; in 1963 it has been running about 2.5 percent above 1962 levels. Output per man-hour, employment, and industrial production are each expected to move upward with expanding demand for goods in 1964.

### PRICES

The level of wholesale prices has changed little in the last 5 years. In September 1963 it was less than 1 percent above its 1957-59 average (table 13). But substantial fluctuations in the processed food index occurred in 1963. The early months of 1963 saw a drop in wholesale prices for meats. Prices of raw and refined sugar rose sharply during the summer months. There was also some recovery in meat prices. Meat and sugar prices declined again in the third quarter. Wholesale prices for all commodities other than farm and food remained unchanged in the first 3 quarters of 1963. In September the wholesale price index for all commodities was 1 percent below a year earlier.

Prices paid by farmers for family living items continued to trend upward during the first 9 months of 1963. Prices of living items in September were 1 percent above a year earlier. Slightly higher prices were paid for food and tobacco items and building materials.

Table 13.--Indexes of wholesale and consumer prices,  
selected months, 1962 and 1963

Item	(1957-59=100)					
	1962			1963		
	Sept.	Dec.	Mar.	June	Sept.	
Wholesale prices	101.2	100.4	99.9	100.3	100.3	
Durable goods	100.9	100.7	100.6	100.9	101.1	
Nondurable goods	101.2	100.0	99.2	99.8	99.5	
Consumer prices	106.1	105.8	106.2	106.6	107.1	
Durable goods	101.6	101.7	100.8	101.3	101.5	
Nondurable goods	104.7	104.0	104.4	104.8	105.3	
Food	104.8	103.5	104.6	105.0	105.4	
Services	109.8	110.1	110.8	111.3	111.9	



Urban consumer prices have moved upward at an average rate between 1.0 and 1.5 percent a year. The consumer price index in September was 7.1 percent higher than the 1957-59 average and about 1 percent above September 1962. Thus far in 1963, retail prices of durables and nondurables have moved slightly upward, largely due to higher prices for used cars, food, tobacco products, and sporting goods. Consumer service prices have continued their long-term advance.

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## FOREIGN TRADE

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Economic Activity Abroad  
Strengthening

Economic activity in industrial nations abroad which take a large share of U. S. agricultural exports is generally strengthening after some apparent slowing in late 1962 and early 1963. Current strength is based largely on expanding consumer demand. Foreign holdings of gold and dollars continued to rise in 1963, particularly in France and other Western European countries, Japan, and Canada. Some Latin American countries which normally spend a higher proportion of additional income on U. S. agricultural goods than do the more developed countries also increased their gold and dollar reserves.

Exports of U. S. agricultural goods to Common Market countries will continue to be hampered by tariff and variable levy restrictions under the Common Agricultural Policy, despite increases in consumer demand. Increased demand for imports due to poor crops in Western Europe, particularly wheat and feed grains, has supported U. S. exports. But agricultural exports to the Common Market declined 10 percent from a year earlier in the 12 months beginning in August 1962, after the tariffs and variable levies became effective.

Agricultural Export  
Outlook Bright

Exports of U. S. agricultural commodities advanced 8 percent in the first quarter of fiscal 1963-64 from the first quarter of 1962-63 and likely will increase further in the remainder of the fiscal year. Agricultural exports may total around \$6 billion in 1963-64 if there are substantial exports of grain to Communist-bloc countries. This would be a record level, nearly a fifth above the \$5.1 billion in each of the 2 preceding years. Most of the gain will be in commercial sales, which may rise by 15 percent or more from a record high of \$3.6 billion in 1962-63. Exports under Government programs are expected to rise some from the \$1.5 billion last year. Contributing to the increase in total exports will be larger shipments of wheat, cotton, soybeans, fats and oils, dairy products, dry edible beans, and tobacco.

Exports of wheat and feed grains together accounted for over one-third of agricultural exports in the last 3 fiscal years, and continued heavy exports of these commodities are anticipated in 1963-64. Wheat exports may reach a record 1 billion bushels, with prospective sales to the Soviet Bloc. This compares with 639 million last year and the previous record of 720 million in 1961-62. Exports of feed grains in the current crop year likely will continue heavy, although they may fall slightly below the high level of the past 2 years.

With a smaller cotton crop expected abroad and probable increases in foreign consumption and stock replenishment, U. S. cotton exports may rise to around 5 million bales in the current crop year from 3.4 million last year. Soybean exports likely will total around 190 million bushels in the year begun October 1, up from 180 million last year. Tobacco exports are expected to rise moderately from the 474 million pounds (export weight) in the last fiscal year.

#### Agricultural Imports Rising

U. S. agricultural imports for consumption increased to \$3.9 billion in fiscal 1962-63 from \$3.8 billion a year earlier. Agricultural imports likely will increase further in 1963-64. The increase in 1962-63 was due to a rise in supplementary (partially competitive with domestic) commodities, particularly cane sugar and beef and veal. The value of complementary (noncompetitive) imports declined 1 percent in 1962-63, largely as a result of price declines.

#### Agriculture In The U. S. Balance Of Payments

The U. S. balance of payments deficit before Government sales of securities, was at a \$4.2 billion annual rate in the first half of this year, substantially above the \$2.1 billion rate of a year earlier. Merchandise exports increased somewhat more than imports, resulting in a slight rise in the surplus on goods and services account. But outflows of capital increased substantially. Most of the increase in the international payments deficit in the first 6 months was due to a sharp rise in private investments abroad in 1963 over 1962 levels. U. S. Government grants to foreigners and military expenditures abroad were unchanged from the first 6 months of 1962. Capital outflows continue to be a major U. S. balance of payments problem. However, increased commercial agricultural exports in prospect in 1964, will help to lessen the balance of payments deficit.

Agricultural exports are recorded in the U. S. balance of payments trade account as dollar-earning exports, whether financed commercially or under Government programs. Agricultural exports currently represent about one-fourth of U. S. merchandise exports. The United States exported more agricultural goods than it imported in each year since fiscal 1956-57, with the exception of 1958-59 (table 14). With agricultural imports totaling less than \$4 billion each year, the favorable balance of agricultural trade has been over \$1 billion in each of the last 3 fiscal years. In fiscal 1964, the estimated trade balance may be a record-high \$1.5 or \$2 billion.



Although agricultural exports contribute to the balance of trade, only commercial sales, which represent the actual receipt of dollars, contribute directly to the overall balance of payments. The imputed dollar value of Government-financed exports is neutralized by payments entries in the capital account. Indirectly, Government exports contribute a little to the overall balance by providing some of the foreign currencies for the U. S. Government to make purchases abroad without dollar payments. Government payments made to U. S. exporters to assist exports do not affect the balance of payments, since they are not international payments.

Dollars earned from commercial agricultural exports in past years have not been sufficient to finance agricultural imports, but rising commercial sales over the last decade reduced the deficit in the U. S. net agricultural payments position from an average of \$1.5 billion in fiscal 1955-57 to \$0.3 billion in 1961-63. Despite this improvement, the overall deficit in the U. S. balance of payments in these years rose from an average of \$1.0 billion to \$2.9 billion. In 1964, commercial exports of agricultural products may exceed total agricultural imports, resulting in a favorable direct net contribution of agriculture to the U. S. balance of payments.

Table 14.--Balance of agricultural trade and  
balance of payments, 1955-63

Year ending June 30	Agricultural exports			Agricultural imports	Agricultural trade balance (-deficit)	Agricultural payments balance (-deficit)	Overall U. S. balance of payments (-deficit)
	Total	Commercial sales	Government pro- grams				
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1955	3.1	2.3	.8	3.8	-.6	-1.5	-1.4
1956	3.5	2.1	1.4	4.1	-.6	-2.0	-1.3
1957	4.7	2.8	1.9	3.8	.9	-1.0	-0.4
1958	4.0	2.8	1.2	3.9	.1	-1.1	-1.6
1959	3.7	2.4	1.3	4.0	-.3	-1.6	-3.8
1960	4.5	3.2	1.3	4.0	.5	-.8	-3.2
1961	4.9	3.4	1.5	3.6	1.3	-.2	-2.6
1962	5.1	3.5	1.6	3.8	1.4	-.3	-2.9
1963	5.1	3.6	1.5	3.9	1.2	-.3	-3.3

1/ Surplus of total agricultural exports over total agricultural imports.

2/ Surplus of commercial sales exports over total agricultural imports.

Note: Totals may not reflect components due to rounding.

U. S. Departments of Agriculture and Commerce.



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## CURRENT COMMODITY SITUATION

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## LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Red meat consumption is expected to reach 170 pounds per person in 1963, 6 pounds more than in 1962. Most of the gain will come from beef. Pork consumption will be up about a pound, but consumption of veal and lamb and mutton will be down nearly a pound.

U. S. beef consumption in 1963 is expected to set a record high of about 95 pounds per person, up from 89 last year. Despite higher consumption, cattle inventory is increasing and will provide the basis for even larger beef supplies in 1964. The inventory on January 1, 1964, will be close to 107 million head, up 3 percent from a year earlier.

Fed cattle prices late last year were the highest in several years. Choice steers at Chicago averaged \$30.13 a hundred pounds during November 1962. Marketings early in 1963 increased substantially and prices fell to a low of \$22.61 on the average in May. By July, prices rose to \$24.72 but they weakened since and were under \$24 in late October. Fed cattle marketings are expected to continue large this winter and prices will average below the first quarter of 1963 when Choice steers at Chicago averaged \$25.28. According to October 1 intentions, cattle feeders plan to market 15 percent more cattle in the fourth quarter this year than in the same months of 1962. If intentions are carried out, October-December 1963 marketings will be about 7 percent more than in the third quarter of 1963.

Beef production increased more than the number slaughtered because animals have been considerably heavier than in 1962. The large proportion of heavy cattle resulted in price discounts for heavy weights within a grade and the narrowing of price margins between grades.

Fed cattle supplies and prices in 1964 will be strongly influenced by the number of cattle and calves placed on feed during the next few months. The movement of cattle into feedlots this fall has been slow, although feeder prices by October were \$2 to \$3 a hundred pounds under a year earlier. If large numbers are roughed through the winter instead of going into feedlots, fed cattle prices likely will be somewhat higher by spring than in October-December 1963. But if large numbers are held back, increased supplies could drive prices down toward the end of 1964 and early 1965.

Hog slaughter and prices fluctuated considerably during 1963. Slaughter was larger and prices lower than a year earlier until May. Slaughter and prices during May and June were not much different from a year earlier, but hog slaughter since July has been up and prices down from the same months last year. Hog prices currently are being affected by large supplies of other meats and by large stocks of pork in cold storage.

According to the September Pig Crop Report, Corn Belt farrowings in June-November were down slightly from a year earlier. Farmers reported intentions to decrease December 1963-February 1964 farrowings 1 percent.

Hog prices are expected to average a little higher during 1964 in response to lower per capita supplies. Slaughter in 1964 likely will fall below year-earlier levels before the beginning of the second quarter and then remain below the rest of the year. Hog prices likely will continue below year-earlier levels this winter, but average a little higher next spring as slaughter supplies diminish.

Sheep and lambs on farms and ranches on January 1, 1963, totaled 30,170,000 down about 4 percent from a year earlier and the second smallest inventory on record. The number of stock sheep was the smallest on record. The 1963 lamb crop of 19,697,000 was 3 percent smaller than the previous crop, and the smallest since 1950. Sheep and lamb slaughter for 1963 however, is expected to be down 6 percent from the 17.2 million head slaughtered in 1962. Consequently, the reduction in the sheep and lamb inventory this year will be smaller than in the 2 previous years. The number of sheep and lambs on farms at the beginning of 1964 is expected to be between 29.3 million and 29.7 million.

Slaughter lamb prices were above a year earlier through June but have been below year-ago levels since August and likely will continue below into the winter. Feeder lamb prices in 1963 were substantially above 1962 until September, but have since dropped nearly to 1962 levels.

The number of sheep and lambs on feed next January 1 is expected to be down somewhat from a year earlier when 4 million were on feed. The 1964 lamb crop probably will be down 4 or 5 percent from 1963. Slaughter likely will be down a little again next year, but prices may average close to those in 1963.

### Dairy Products

Milk production in 1964 may about equal the 125 billion pounds estimated for 1963, though farm marketings and commercial demand may be slightly higher than this year. Excess dairy products will continue to move into the Commodity Credit Corporation, as they have since the early 1950's, but in somewhat reduced quantities. These estimates and projections assume continuation of the present dairy program, supports at 75 percent of parity, and little change in the international situation.

Cash receipts from farm sales of milk and cream in 1963 are unchanged from year-earlier levels but may gain about 1 percent in 1964. Net income from dairying next year is expected to decline because of the continuing rise in production expenses. Prices received by dairy farmers are expected to approximate 1963 levels next year.

Milk production the first 9 months of 1963 was about 1 percent below a year earlier. Reduction in the number of milk cows on farms in 1963--close to 3 percent--is a continuation of the downtrend since the 1944 peak in the milk herd. This year's change is probably large enough to reduce January 1, 1964



inventories to the lowest level since 1905. Anticipated gains in production per cow early in 1964 may not be enough to offset completely the smaller number of milk cows. An additional factor limiting production is below average roughage supplies in several important dairy areas.

Civilian use of milk from all sources in 1963 may be about  $1\frac{1}{2}$  billion pounds above the 116.4 billion (milk equivalent) in 1962. The gain is chiefly due to increased sales of fluid milk, American cheese, and ice cream. Donations of Government-owned dairy products to welfare and school lunch programs are gaining again this year. Commercial sales of butter and evaporated milk are continuing the downtrend of previous years. Consumption per person of milk in all forms this year is again declining, but at a slower rate than in 1957-61. A larger per capita decline is likely in 1964, but total consumption is expected to gain slightly.

Although production is declining about 0.8 billion pounds in 1963 from 1962, farm marketings may fall only 0.2 billion pounds; there are fewer dairy farms and less milk is kept for home use. The marketing decline is coupled with an increase of 1.9 billion pounds in consumption from commercial sources and in schools. As a result, CCC purchases of dairy products for price support in 1963 are expected to be down about  $2\frac{1}{2}$  billion pounds milk equivalent from the record high of 10.7 billion pounds in 1962. Purchases (delivery basis) may average  $6\frac{1}{2}$  percent of milkfat produced and  $9\frac{1}{2}$  percent of milk solids-not-fat.

Stocks of dairy products including CCC inventory were about 16 billion pounds of milk equivalent in July this year and are expected to decline more than seasonally to about 10 billion by year-end. Record CCC export sales and heavy overseas donations of butter and nonfat dry milk, as well as reduced purchases, are factors in this more than seasonal decline in stocks. CCC-owned stocks may decline again in 1964.

Milk prices in 1963 are expected to average about \$4.10 per 100 pounds, compared with \$4.12 in 1962. Prices paid by dealers for milk used in bottling (Class I) during January-October 1963 averaged \$5.27 per 100 pounds compared with \$5.33 a year earlier. For 1963, prices to farmers for manufacturing milk will average about the same as in 1962. These prices were lower than a year earlier in the first quarter this year but have been higher since. Assuming continuation of the present support level in the marketing year beginning April 1, 1964, the average price of manufacturing grade milk, as well as the price received for all milk sold by farmers, is expected to continue close to 1963 levels.

### Poultry and Eggs

Egg production in 1964 is expected to exceed the 176 million cases in prospect for 1963. Most of the increase will likely be concentrated in the first half of the year. Consequently, egg prices early in 1964 will probably be lower than a year ago. Prices are likely to show a greater seasonal rise in 1964 than in 1963 but nevertheless may average slightly below the 34.1 cents per dozen indicated for 1963.



The number of layers and potential layers (including pullets not yet laying) on farms October 1 was about the same as a year earlier. This suggests that through the end of 1963 the size of the Nation's flock may be about the same as in 1962. By the second quarter of 1964, however, numbers may be up about 1 percent from a year earlier because of the increased June-September hatch of egg-type chicks. In addition, the rate of lay in the first quarter of 1964 is expected to be higher than the weather-depressed level of January-March 1963 and at the level of first quarter 1962.

Egg output the second half of 1964 will be importantly influenced by a likely smaller hatch of replacement chicks next spring. Lower egg prices early next year and the trend away from spring hatchings are expected to result in a decline in the January-June 1964 hatch of egg-type chicks from a year earlier. Therefore, the number of layers on farms by early fall 1964 may go below the 1963 level. But egg production may stay above the year-earlier level a month or 2 longer, as a result of some further gain in layer productivity. The increase in egg production in 1964, however, will probably not be large enough to quite maintain the per capita egg consumption rate of 316 eggs expected this year.

For broilers, recent hatchery activity indicates that production in early 1964 will be about the same as a year earlier, but output for the year likely will go above the 1963 level. Pullet chick placements by primary breeders suggest that the Nation's hatchery supply flock will continue larger than a year earlier at least through early 1964. This reflects strong pressures for expansion in the first half. However, during this period, broilers will probably face greater competition from larger supplies of beef. Most of the increase in broiler production in 1964 is expected in the second half.

The 1964 turkey crop is likely to be somewhat larger than the 92.7 million birds expected this year. Turkey prices this year will probably average about 4 percent higher than the 21.6 cents in 1962. The trend toward greater efficiency in turkey production may have accelerated in 1963. Profitability may be enhanced by a lower mortality this year than last. This is suggested by turkey marketings this year, which were earlier than expected from poult hatchings. There will probably be smaller inventories of frozen turkey at the beginning of 1964 than a year earlier.

On October 1, owners of turkey breeder flocks in the 15 important turkey States reported intentions to keep 1 percent more birds for the 1964 hatching season than they had a year earlier for the 1963 hatching season. No change was reported for heavy breeds, but light breeds were up 10 percent. A breeder flock this large could result in a sizable increase in turkey production in 1964.

#### Wool

The outlook for the world wool industry for the 1963-64 marketing year is for consumption and production of wool to be about in balance. This will be in contrast to the previous 3 years when consumption exceeded production

and stocks were worked down to relatively low levels. Stocks will remain relatively low and probably will cause temporary shortages resulting in increased demand from a few of the major manufacturing countries. This likely will result in world prices the same as the relatively higher price levels of early 1963.

Although world wool consumption remained relatively stable the last 4 years, wool's share of total fibers used and per capita use of wool have declined. This declining share of the market is due to the significant increase in world production of man-made fibers.

The outlook for the U. S. wool industry in 1964 is for a further decline in the number of sheep and less wool production, moderately lower mill consumption of carpet and apparel wool, and a continued increase in imports of apparel wool textile products. Domestic wool consumption in 1964--mill use plus the raw wool equivalent of the import balance of foreign trade in wool textile products--will remain about the same as in 1963. Anticipated increased imports of apparel textile products probably will offset the lower mill use of raw wool.

The shorn wool incentive level for the 1964 marketing year remains at 62 cents per pound, grease basis. This is 80 percent of the September 1963 parity price of 77.8 cents per pound for shorn wool. The 1964 marketing year for wool conforms to the calendar year, thereby completing the transition to a calendar year basis from the April-March basis.

The average price for 1963 will not be greatly different from the 47.7 cents per pound, grease basis, average during 1962. The average price received by U. S. growers of shorn wool for the 1964 marketing year may be moderately less than in 1962 and 1963, since 1964 U. S. mill demand is not expected to be as firm.

Apparel wool mill use in 1964 likely will total 245 to 250 million pounds, scoured basis, compared with 255 million forecast for 1963. The 1963 estimate, based on seasonal adjustment of the first 8 months of use, is 9 percent less than in 1962. This moderately lower level of anticipated use reflects the declining number of unfilled orders for finished wool apparel fabrics.

Imports of apparel wool textile products probably will reach 80 million pounds, clean wool equivalent, during 1963, surpassing the previous high of 70 million in 1962. Apparel wool textile product imports are likely to continue increasing in 1964. Knit wearing apparel imports increased more than any other category during 1963, followed by tops, yarns, and fabrics. Imports of noils and wastes also will be higher in 1963 than a year earlier. Carpet and rug imports will be substantially less in 1963, apparently reflecting tariff rates that increased in June 1962.



Imports of dutiable raw wool in 1964 are expected to total 100 to 110 million pounds, clean content. This will be approximately the same as in 1963 but less than the 126 million imported in 1962, reflecting the decline in mill use of apparel wool in 1963. Although imports of apparel wool will be lower in 1964, they will remain considerably above the 1957-61 average of 82 million pounds, reflecting less U. S. wool production.

U. S. production of woolen and worsted woven fabric in 1963 is expected to total about 290 million finished linear yards compared with 310 million in 1962 and 286 million in 1961. Output of apparel fabrics will be less in 1963 due mainly to fewer Government orders; nonapparel fabric production will be greater due to increased production of blanketing.

#### CROPS

##### Wheat

The wheat situation in 1963-64 is highlighted by prospects for a substantial increase in exports. The significant change in the U. S. export picture is due to poor crops in Europe and a possibility of large sales of wheat to the Soviet Bloc. U. S. exports are expected to set a new record. If exports reach a billion bushels, the carryover on July 1, 1964, would be reduced 460 million bushels to about 730 million. This will be the smallest carryover since 1953. Almost all of the expected reduction in stocks is hard winter wheat. Domestic disappearance of wheat in 1963-64 is expected to continue around 600 million bushels.

Prices of most classes of wheat in October and early November were substantially above their price support loan rates, reflecting the sharp increase in export demand and the tight supply of privately held wheat. This has resulted in only a small portion of the 1963 crop being placed under loan and has permitted the Government to sell large quantities of wheat at the resale formula price. Reflecting this increased market activity, farm prices have been quite strong. In October, the price received by farmers was \$1.94 per bushel, 12 cents above the national average loan rate and 10 cents above the September price. With this increased demand, the season average farm price in 1963-64 may be moderately above the \$1.82 per bushel loan rate.

##### Feed Grains

The feed grain supply for 1963-64 is estimated at 216 million tons on the basis of November indications, practically the same as last year. The feed grain carryover into 1963-64 was about 9 million tons less than a year earlier, continuing the decline that has been underway since the record carryover of 1961. But the smaller carryover was slightly more than offset by a 10-million-ton increase in production.

The 1963 feed grain crop of 153 million tons is second only to the record 1960 crop. The reduction of carryover stocks during 1963-64 is expected to be about 3 million tons from the 62.5 million tons carried over at the beginning of the year.



The larger feed grain crop this year resulted from increased acreage and higher yields than in 1962. During the past 3 years, farmers have reduced their feed grain acreage well below the 1959-60 level by participating in the Feed Grain Program. This year, farmers signed up to divert 25.7 million acres compared with 28.2 million actually diverted in 1962. The total U. S. acreage planted this year is 3 percent above 1962, but is 14 percent below the 1959-60 level.

Domestic use and exports of feed grains have been increasing for a number of years, averaging about a 3 percent climb per year since 1950. In 1963-64, domestic use is expected to increase a little from the current level, principally because of increased cattle feeding. Total disappearance probably will be 3 or 4 million tons above the 153 million in 1962-63.

Feed grain exports are expected to continue heavy in 1963-64. In 1962-63, over 16 million tons were exported, only slightly below the 1961-62 record of 17.3 million. Larger supplies of feed grains and low quality wheat in Western Europe, together with the heavy demand placed on domestic transportation and shipping facilities because of increased wheat movement, may cause feed grain exports to fall slightly below the high level of the past 2 years. However, they are expected to continue well above exports prior to 1961-62.

The total corn supply for 1963-64 is estimated at 5.3 billion bushels, slightly above 1962-63, but nearly 400 million below the record supply of 1960. Supplies of oats and barley are slightly less than a year earlier, while the sorghum grain supply is a little larger.

Demand for feed is expected to continue generally strong in 1963-64. Prices of feed grains and high-protein feeds are expected to continue near the 1962-63 level. The loan rates for feed grains are lower this year, down from \$1.20 to \$1.07 per bushel for corn, but production is again below total requirements and CCC sales of feed grains cannot be made below the loan rate plus carrying charges. Corn and sorghum grain prices are expected to decline below the loan rates this fall, but they probably will rise above the loan level later in the marketing year. The seasonal rise in feed grain prices in 1963-64, however, may be somewhat less than during the past year when prices rose 19 percent from November 1962 to July 1963.

High-protein feed supplies are expected to increase around 3 percent in 1963-64, with much of the increase in soybean meal, as crushings continue their upward trend. The increase in high-protein feed supplies is expected to little more than keep pace with the increasing number of high-protein feed-consuming animal units, resulting in a slight increase in the supply per animal unit. Generally strong foreign and domestic demand for protein feeds is expected to continue in 1963-64 and prices probably will average near the 1962-63 level, the highest in 9 years.

The hay supply for 1963-64 is estimated at 137 million tons, 2 percent less than in 1962-63. Hay supplies are short this year in many Eastern and Southern States, but are average or above in most Central and Western States. Hay prices are 10 to 15 percent higher this fall than last and are expected to average somewhat higher for the 1963-64 feeding year.

Oilseeds, Fats and Oils

Total U. S. supplies of edible fats, oils, and oilseeds during the 1963-64 marketing year that began October 1 are forecast at a record 17 billion pounds (in terms of oil), about 3 percent more than the peak quantity available last year. The increase is due to larger starting stocks of edible vegetable oils and the record 1963 crop of soybeans.

As usual, domestic disappearance of edible fats and oils probably will rise in 1963-64 with population growth--requiring an additional 125-150 million pounds. Quantities of edible vegetable oils (cottonseed and soybean), lard, butter, and soybeans available for export and carryout stocks in 1963-64 will be a record 7.6 billion pounds, about 4 percent more than last year.

Present export prospects for edible fats and oils (including the oil equivalent of soybeans) indicate that the 1963-64 total may set a record of around 4.9 billion pounds, roughly 15 percent more than exported in 1962-63. An export volume of this proportion would comprise approximately a third of the 1963-64 U. S. output of these commodities.

Main factors in the 1963-64 export outlook are:

- (1) Europe probably will buy more U. S. soybeans because of the expanding demand for soybean meal and because European oil stocks are at a lower level than last year.
- (2) The Russian sunflower crop is believed to be down somewhat. This could result in reduced shipments of Soviet sunflower oil to Spain and West Germany.
- (3) In Communist China soybean production increased in 1963 but expanding domestic demand due to increasing population, will continue to restrict Communist China's exports of soybeans and other oilseeds in 1963-64 to about the previous year's level.
- (4) Exports to Japan, the major single market for U. S. soybeans, are expected to increase slightly in 1963-64 because soybean production in Japan is down in 1963 and consumption of soybeans and products is rising.
- (5) Copra and coconut oil exports in 1963-64 and European and Japanese rapeseed production are down, whereas peanut crops in Africa and India are about average.
- (6) Shipments of edible vegetable oils under the Food for Peace Program (all Titles of P. L. 480) are expected to expand--totaling nearly 1.1 billion pounds compared with 0.9 billion in 1962-63. Most of the gain anticipated is under Title I (sales for foreign currencies) and Title IV (long-term credit sales).



- (7) Partially offsetting the above factors are a large olive production in Mediterranean Basin countries and high stocks of edible oils in Spain--a major importer of U. S. soybean oil for dollars.

The U. S. supply of soybeans during the 1963-64 marketing year that started October 1 is placed at a record 733 million bushels compared with 722 million last year. Soybean prices are expected to continue strong throughout the 1963-64 marketing year; indications are that the entire 1963 crop will be needed to meet prospective demand. The 1963-64 season average farm price probably will be about \$2.60 per bushel compared with \$2.34 in 1962-63.

Soybean crushings are forecast at 490 million bushels compared with 475 million in 1962-63. Soybean exports in 1963-64 are forecast at 190 million bushels, up about 10 million from a year ago. Based on crushing and export estimates, carryover stocks of soybeans on October 1, 1964, will be about 10 million bushels.

Cottonseed production in the 1963-64 marketing year that started August 1 is placed at 6,357,400 tons, about 3 percent above last year. A crop this size will produce 2,000 million pounds of crude cottonseed oil and 2.8 million tons of cake and meal. Prices to farmers for 1963-crop cottonseed are averaging about \$50 per ton, \$2 above last year and well above the CCC purchase price of \$44 per ton, basis grade (100).

Lard output in the 1963-64 marketing year that began October 1 is forecast at 2,425 million pounds, about 3 percent less than a year earlier. Lard prices (tanks, loose, Chicago) will average about 9 cents per pound for the entire 1963-64 marketing year compared with 8.2 cents a year ago. Domestic use of lard is forecast at 1.9 billion pounds and exports around 0.5 billion.

The total supply of peanuts (farmers' stock basis) in the 1963-64 marketing year, beginning August 1, is placed at 2,290 million pounds, 5 percent more than the year before and the largest since 1948-49. Once again, the supplies this year are sharply above domestic needs for food and farm uses. CCC will acquire the surplus (about 450 million pounds or over one-fifth of the 1963 crop) under the support program. As in most recent years, prices to growers for 1963-crop peanuts are averaging about the national support rate of 11.2 cents per pound (\$224 per ton), a figure fractionally higher than last year.

Flaxseed supplies in the 1963-64 marketing year that began July 1 are estimated at about 40 million bushels, 11 percent more than in the previous season. Crushings may total around 22 million bushels and another 2 or 3 million bushels will be needed for seeding the 1964 crop. Exports are forecast at 8 million bushels, leaving carryout stocks on June 30, 1964, in the neighborhood of 7 million bushels, slightly less than this year's. Prices to farmers for 1963-crop flaxseed probably will average about \$2.80 per bushel, slightly below the CCC support rate of \$2.90 (farm basis).

Inedible tallow and grease output in 1963-64 is estimated at 3.7 billion pounds, about 3 percent above a year earlier, mainly reflecting a prospective increase in cattle slaughter. Domestic use of inedible tallow and grease is



forecast at 1.9 billion pounds and exports around 1.8 billion. Exports in 1963-64 may be higher if the Soviet Union buys inedible tallow and greases to cover part of its deficit in supplies resulting from lower sunflower oil production. The outlook is for inedible tallow prices (prime, tanks, Chicago) to average about 6 cents per pound, about 0.5-cent higher than in 1962-63.

### Fruit

Increased consumer demand for fruit, supported by rising consumer disposable incomes, is expected in 1964. Prospects for the 1963-64 citrus crop point to total production moderately smaller than the reduced 1962-63 crop. The 1964 deciduous crop may slightly exceed the large 1963 volume. Edible tree nut production is expected to be below the 1963 record.

Prospects for U. S. exports of fresh fruit in 1963-64, especially to European markets, are less favorable than a year ago. Orange exports will be limited by increased supplies in the Mediterranean Basin, apple exports by a larger crop in Western Europe, and pear exports by the short U. S. crop. Export prospects for dried prunes and citrus juices also are less favorable than a year ago because of smaller U. S. supplies. But exports of raisins are expected to be up considerably because of sharply increased U. S. output. Exports of canned peaches, pineapples, and fruit cocktail, are expected to be near the record levels of 1962-63.

Prospective production of citrus fruit in 1963-64 is moderately smaller than the reduced harvest in 1962-63, a continuing effect of last winter's freeze damage to Florida citrus trees. The 1963-64 U. S. early, midseason, and Naval orange crop is expected to be about a fourth below the relatively small 1962-63 crop and a third below the 1957-61 average. For 1963-64 crop Florida Valencias, current prospects are for a substantial increase over the light harvest last season. For California Valencias, prospects are favorable for a good crop next spring and summer. Grapefruit production is expected to be a little smaller than in 1962-63 and about a fifth below average. Prospects are for some increase in lemon production.

Florida citrus trees damaged by last winter's freeze have already made remarkable recovery in appearance and new growth, and undamaged trees have attained excellent condition. Orange and grapefruit production is expected to increase over the next few years as Texas and Florida groves recover further from freeze damage, and as newly-planted trees start to bear. Even with favorable weather, however, several years will elapse before U. S. production will regain its prefreeze volume.

By early November, harvest of 1963-64 crop Florida grapefruit had become seasonally large and that of oranges was still increasing. Shipping-point prices for both fruits averaged moderately to considerably above year-earlier levels. Price prospects continue more favorable this fall than last, when large crops were expected and sharply increased stocks of citrus juices were on hand. After January 1, supplies of fresh citrus probably will be larger than in the first half of 1963. Orange prices probably will continue relatively high. Carryover stocks of most Florida processed citrus juices are much smaller this fall than last.

Deciduous fruit production is expected to trend slowly upward over the next few years. A small gain in 1964 over 1963 seems probable, assuming favorable weather. Increases can be expected for apples, sweet and sour cherries, peaches, pears, and prunes. There may be decreases in grapes, plums, and possibly apricots, of which production was up in 1963, and little changes in other fruits.

The 1963 deciduous crop was not quite as large as the heavy 1962 crop but moderately above average. Crops larger in 1963 were apricots, grapes, fresh plums, and nectarines. The cranberry crop also is up a little. Production of other fruits was down with a sharp reduction in pears. Grower prices for 1963 fruit crops generally have averaged above 1962 prices.

The 1963-64 packs of canned and frozen deciduous fruits, not yet completed, are expected to be moderately smaller than in 1962-63. Reductions from 1962 have been reported for a number of important canned fruits and frozen red tart cherries. But dried fruit production is expected to be up in 1963 because of a sharp increase in raisins. Retail prices of most canned fruits are expected to be higher in 1963-64 than a year earlier.

Although production of edible tree nuts--almonds, filberts, pecans, and walnuts--is expected to trend upward over the next few years, 1964 production is likely to be below the 1963 record. Reductions seem most likely for pecans and almonds, which show some tendency for small crops to follow large crops. Production of each nut crop in 1963 was above 1962. Price prospects for the 1963 crops, except filberts, appear less favorable than last year.

### Commercial Vegetables

#### Fresh

Supplies of fresh vegetables for marketing this fall are moderately smaller than a year ago and slightly below the 1957-61 average. Among major items, supplies of cabbage and carrots are moderately smaller than last year and those of celery and tomatoes substantially smaller. Supplies of onions are down moderately from the heavy supply a year earlier, but a little above the 1957-61 average. Remaining supplies of all other major fresh vegetables are about the same or slightly above a year earlier.

#### Processed

Total canned vegetable supplies for the 1963-64 season appear to be slightly smaller than the record supply last season. There likely will be fewer canned tomatoes and sauerkraut than a year earlier, and supplies of spinach and green peas will again be relatively light. However, supplies of snap beans, beets, and most tomato products probably are as large as last season and sweet corn supplies are down only slightly. Although frozen vegetable supplies are expected to be slightly smaller than last season, every major item is in ample to heavy supply. F.o.b. and retail prices of frozen vegetables are expected to average near those of last season, and prices for canned items only a little above the low levels of a year earlier.



Potatoes and Sweetpotatoes

Potato supplies for fall and winter markets are slightly larger than a year earlier and moderately above the 1957-61 average. Production of fall potatoes was 2 percent above last year and 9 percent above the 1957-61 average. With heavy supplies available, prices to growers during the next 4 or 5 months are likely to average close to the relatively low levels of a year earlier.

Fewer sweetpotatoes are available than a year ago. Production is 11 percent smaller than in 1962 but equal to the 1957-61 average. Prices are expected to rise seasonally into the spring and average at least moderately higher than last season.

Cotton

The carryover of all kinds of cotton on August 1, 1964, is expected to total about 12.9 million bales (12.7 million of upland cotton). This would be an increase of 1.7 million bales from the previous August 1 and the largest since the record high of 14.5 million in 1956.

With the increase in the total carryover during the current season, CCC stocks also are expected to increase while "free" stocks may show little change. On August 1, 1963, CCC-held stocks totaled 8.2 million bales. This was up from 4.7 million a year earlier and the largest since 1956. CCC acquired 4.7 million bales or about 32 percent of the 1962 crop through outstanding price support loans. This compares with 3.2 million or 22 percent of the crop acquired in 1961.

The carryover is expected to increase this season as the large crop is expected to exceed disappearance. Production is above last year's level because of a record 516-pound-per-acre yield. Record yields are primarily a reflection of very favorable growing conditions. The crop was estimated as of November 1 to total 15.3 million bales, up 450,000 from 1962. Disappearance during the current season is estimated at 13.8 million bales, up about 2 million from a year earlier. Both mill consumption and exports are expected to be larger this season.

On October 11, USDA announced a 1964 national acreage allotment for upland cotton of 16.0 million acres, the same as for the 1963 crop. An additional 200,000 acres for the 1964 crop were allotted from the national reserve for small farms. The announced allotment of 16 million acres is the smallest permitted under present law. The announcement indicated that an even smaller acreage would be sufficient for a balance of supply and disappearance during the 1964-65 crop year. The 1964 acreage allotment for extra-long staple cotton has been set at 112,500 acres, down from 149,880 acres allotted for the 1963 crop.

Consumption of all kinds of cotton by mills in the United States during the 1963-64 crop year is estimated at 8.8 million bales (8.6 million bales of



upland cotton). Although this is up 400,000 bales from a year earlier, it is down 200,000 from 1961-62. Larger consumption during the current season than a year earlier is indicated by recent declines in the ratio of mill stock to unfilled orders for cotton cloth, increases in cotton cloth prices, and widening of mill margins for cotton cloth.

U. S. exports of cotton during the 1963-64 crop year are estimated at 5 million bales, up from 3.4 million a year earlier. This increase reflects an improvement in the competitive position of U. S. cotton prices in world markets, a moderate pickup in foreign consumption during 1963-64, a decline in production in foreign countries, and a small buildup in stocks of cotton in foreign free world countries. Through November 6, 3.0 million bales had been sold under the export sales program. Under this program, stocks of CCC cotton are being offered for sale on a competitive bid basis. The sales price so far this season has averaged slightly more than 24 cents a pound for Middling 1-inch cotton at average location. Cotton purchased under this program may be sold domestically or exported. However, a quantity of cotton equal to that purchased from CCC must be exported without any assistance under the payment-in-kind program during the 1963-64 crop year. Registrations under the payment-in-kind export program have been very small thus far this season. Through November 1, registrations totaled only 11,949 bales. The export payment rate has been 8.5 cents per pound, the same as in 1962-63.

Spot market prices for U. S. cotton have been steady in recent months, after having trended downward since May 1963. The average 15 market spot price for Middling 1-inch cotton was 33.08 cents per pound in October, almost the same as in September. Prices for most qualities of U. S.-and foreign-grown cotton have been declining in foreign importing markets. The price for U. S. Middling 1-1/32 inch, c.i.f. Liverpool, during October 1963 averaged 27.21 cents per pound. This is down slightly from 27.28 cents in September and the lowest average monthly price for this quality cotton since November 1959. For a comparable quality Mexican-grown cotton, the average price per pound in October was 28.31 cents.

### Tobacco

Continuing high levels of income and increasing population favor further rises in cigarette and cigar consumption in 1964. Total consumption of smoking and chewing tobacco may not change appreciably in the year ahead, but snuff use may continue downward. The Public Health Service has announced that a report on smoking and health being prepared by a committee of experts is scheduled for completion and submission to the Surgeon General by the end of 1963. Whether the outlook for tobacco products will be modified to any appreciable extent by this report cannot be foreseen until its contents are made known and can be carefully appraised.

The 1963 output of cigarettes is estimated at 550 billion--about 14.5 billion over 1962 and a new high. U. S. smokers in 1963 are expected to consume about 523 billion cigarettes--almost 3 percent more than in 1962--while most of the rest will be exported. Indications are that the use of tobacco per

1,000 cigarettes (unstemmed-processing weight) continues to decline, and it is likely that the increase in 1963 cigarette output will not be accompanied by a proportionate gain in total tobacco used for cigarettes.

Consumption of cigars and cigarillos is estimated at about 7.2 billion--about 1.5 or 2 percent over the level of the previous 3 years, when cigar consumption showed little change. There are still sizable stocks of Cuban tobacco in the United States (brought here prior to the embargo), so Cuban tobacco will continue to be used in cigars for some time. However, significantly larger quantities of other foreign-grown cigar tobaccos are being used than a year or so ago.

Output of smoking tobacco in 1963 is estimated at about 69.5 million pounds--2 percent below 1962 and lowest this century. 1963 chewing tobacco output may be near 65 million pounds, about the same as in 1962; snuff production is estimated at about 32.5 million pounds, 2 percent less than in 1962 and the smallest in many years.

Exports of unmanufactured tobacco in calendar 1963 are expected to be about 8 percent above 1962, when they were second lowest in 8 years. For the year ending June 30, 1964, exports are also expected to be up moderately from the previous year. Viewed over the longer term, increasing competition from foreign producing areas and various trade restrictions are likely to continue to affect U. S. tobacco exports adversely. However, world cigarette consumption is rising and economic levels are improving in many countries.

The 1963-64 total supply of flue-cured--the leading cigarette and export tobacco--is 3 percent larger than for 1962-63 and the most since 1956-57. Domestic disappearance in 1962-63 showed a small decline for the second year in a row and exports fell more than a tenth. The 1963-64 exports are expected to increase because of better quality tobacco available from the 1963 crop, reduced production by major foreign competitors, and lower stocks of U. S. flue-cured in the United Kingdom--leading foreign market. Over nine-tenths of the 1963 flue-cured crop had been sold through early November, at an average of about 59 cents per pound, about 1 cent below last season's average. Placements under Government loan were about 15 percent of total deliveries, compared with 17 percent in the entire 1962 season.

The 1963-64 total supply of burley--second ranking cigarette tobacco--is about 6 percent more than in 1962-63 and the largest on record. Domestic use increased about 1 percent and exports by about a sixth in 1962-63. Burley markets will open November 25.

Total 1963-64 supplies of Maryland, fire-cured, and dark air-cured tobacco are up a little from 1962-63, but those of Connecticut Valley and Wisconsin binder and the shade-grown wrapper types are indicated to be smaller than for the previous year. The 1963-64 supply of Pennsylvania and Ohio cigar filler may be about the same as in 1962-63.



Government price supports are mandatory for tobaccos produced under marketing quotas. The 1963-crop overall price support levels are up 1 percent from 1962. Overall levels of price support are adjusted for each year's crop according to the relationship between the recent 3-year average of the parity index and the 1959 parity index. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates. Available data indicate that overall price support levels for 1964 tobacco will be up about 1 percent from 1963 levels.

The Secretary of Agriculture will announce the 1964 marketing quota and acreage allotment for flue-cured tobacco by December 1, 1963; for burley, fire-cured, dark air-cured, sun-cured, the eligible cigar types, and for Maryland tobacco, 1964 quotas must be announced by February 1, 1964.

### Sugar

Sugar production in the United States in 1964, including the output from offshore areas, is likely to be even larger than that of the record 1963 crop. Most of the increases in 1963 were in the mainland beet and cane areas and these areas are the most likely to show further gains in production next year.

The USDA has announced that there will again be no acreage restrictions on either sugar beets or sugarcane in 1964. This will encourage farmers to further increase their plantings next year, particularly in view of high 1963 prices. Suitable land for expansion is more limited in offshore areas (Hawaii and Puerto Rico) than in mainland areas.

The most recent estimates show that sugarbeet acreage in 1963 was 12 percent above last year and that the prospective production of beets is up 21 percent. For sugarcane in Louisiana and Florida the increase in acreage is 19 percent and in production of cane, 38 percent. Prospective 1963 yields in both areas are unusually high.

Refined sugar prices, wholesale United States, for the first 10 months of 1963 averaged about 19 percent above those for the similar period of 1962. The effect of these higher prices has not, as yet, been fully reflected in the prices received by farmers for their sugar beets and sugarcane. Processors pay farmers for these crops on a basis related to sugar prices covering specific periods of time for various producing areas and in certain areas it may take up to a year for changes in sugar prices to affect the prices paid for beets or cane.

While acreage is unrestricted in 1964, it is not likely that the expansion will be as great as that of 1963. The capacity of processing plans in continental United States, even with some further expansion, would not be sufficient to handle an additional increase equal to that of 1963.

Higher sugar prices in the United States in 1963 are the result of the much greater rise that has occurred in prices in the world market. Marketable



supplies of sugar available for consumption in the United States in 1963 are a half-million tons larger than expected consumption. In addition, the large mainland production further substantially increases available supplies. Total domestic stocks at the end of 1963 will be high relative to domestic requirements.

In contrast to the United States, stocks in many countries of the world are lower than usual. Although world production for the past 2 seasons has been below consumption, the 1963-64 estimated production, despite a drought in the USSR and hurricane damage in Cuba, will be very significantly above production of the past 2 seasons. Looking beyond 1964, programs and policies in a number of key countries indicate further substantial increases in production.

As a result of shorter supplies and rising consumption, the price of raw sugar in the world market during the first 10 months of 1963 averaged 188 percent above the similar period in 1962. Prior to February 1963, the price of sugar in the United States, after adjustment for transportation costs and import duties, was commonly well above the price in the world market. During most of this year the domestic price has been well below world prices. Actions taken under the United States sugar quota law have been effective in maintaining greater price stability in this country than in the world market, as well as in assuring plentiful supplies of sugar.

#### Timber Products

As a result of the general expansion in economic activity in 1963, consumption of all timber products is expected to increase from the 1962 level of nearly 11.8 billion cubic feet to about 11.9 billion cubic feet. Production of timber products from domestic forests is estimated at 10.3 billion cubic feet, about 0.2 billion higher than in 1962. Most of the rise in domestic production is expected to come from increases in the output of saw logs, pulpwood, and veneer logs.

Lumber consumption in 1963 is expected to reach 38.7 billion board feet, some 0.7 billion more than in 1962. Softwood lumber use is estimated at 31.6 billion board feet and hardwood lumber at 7.1 billion. These levels are respectively 0.4 percent under and 12 percent above those of 1962.

The increase in lumber consumption mainly reflects the rise in building activity, since about four-fifths of all lumber use is in construction.

Domestic lumber production in 1963 is expected to total 34.4 billion board feet, an increase of nearly 4 percent over 1962. Production of softwood lumber is estimated at 27.4 billion board feet and hardwood lumber at 7.0 billion--2 percent and 9 percent respectively above 1962.

Production in major lumber producing regions showed varying trends during the first part of 1963. In the Douglas-fir region of Western Washington

and Oregon, production of Douglas-fir and associated species at the end of the first 8 months was 2 percent under the same period in 1962. This decline reflected, in part, the effects of a strike in July and August. In the Western Pine region the first 6 months of 1963, production of ponderosa pine and other species was 2 percent above the first half of 1962. Southern pine production was also up with output at the end of 8 months, 4 percent higher than a year earlier.

It is estimated that lumber production in the West in 1963 will amount to 20.2 billion board feet. Production in the South and North is expected to total 10.0 billion and 4.2 billion, respectively.

Lumber imports in 1963 are estimated at 5.2 billion board feet (4.9 billion of softwoods and 0.3 billion of hardwoods) and exports at 0.8 billion. Net imports will thus amount to 4.4 billion board feet and compose about 11 percent of total lumber consumption (13 percent of softwood consumption and 3 percent of hardwood consumption). Net imports in 1962 were 4.1 billion board feet. This also represented about 11 percent of consumption.

The wholesale price index of lumber increased from 95.9 in January to 102.7 in August (1957-59=100). Most of this rise occurred in July and reflects the effects of a strike in the timber products industries. This strike was settled in early August and industry reports indicate that prices have returned to pre-strike levels.

Current trends in use indicate that 46 million cords of pulpwood--including 35.4 million of roundwood and 10.6 million of chipped residues--will be consumed in U. S. pulp mills in 1963. This represents a new peak in consumption--4 percent above 1962 and 63 percent above the level of 10 years ago.

Production of round pulpwood from domestic forests in 1963 is estimated at 33.7 million cords, slightly under the 33.9 million in 1962. Production of softwood pulpwood is estimated at 24.4 million cords and hardwoods 9.3 million. These levels are respectively 2 percent under and 4 percent above output in 1962.

Production of pulpwood chips, largely from residues of sawmills and veneer mills, is expected to reach the equivalent of 9.8 million cords in 1963. This represents nearly a quarter of total pulpwood production and marks a new high in a trend that has been steadily upward since 1944.

The estimated regional breakdown of pulpwood production in 1963 is as follows: The South, 26.0 million cords, the West, 9.4 million, and the North, 8.1 million. Roundwood accounted for all the growth in the South where, for the first time in a decade, chip production failed to increase. On the other hand, chips accounted for all of the rise in output in the West.

Pulpwood prices at local points of delivery are showing variable trends in 1963. The July price of rough spruce in Wisconsin was \$25.75 or about \$1.50 below a year earlier. In contrast, the price of aspen pulpwood was about \$1.00 above the \$12.75 in 1962. In the Southeast, however, the price of rough pine



pulpwood is expected to average about \$16.25 per cord--a level that has been maintained without significant change since 1959. Prices of chipped pine residues in the mid-South have also been stable in this period at a level of \$14.50 per cord.

Production of softwood veneer logs in 1963 is estimated at 4.5 billion board feet, about 0.3 billion above 1962 and nearly 2.5 times output 10 years ago. All of this production was concentrated in the West, chiefly Oregon, Washington, and California.

Although softwood veneer log production has historically been concentrated in the West, 2 new softwood plywood plants with a combined annual capacity of 200 million square feet are under construction in the South. Conditions appear to be favorable for further development in this section. This is particularly true in the southern States west of the Mississippi where the softwood timber resource is improving both in volume and quality.

Production of hardwood veneer logs in 1963 is estimated at 950 million board feet. This is considerably above the 775 million in 1960, the postwar low, but about the same as average output during the 1950's.

#### Naval Stores

Continued high level domestic production and reduced exports in the 1963 crop year are expected to result in a one-third increase in the domestic rosin carryout next March 31. Domestic and foreign rosin consumption is expected to increase, as swollen European stocks shrink to near-normal levels. Domestic rosin prices in 1963 are expected to average slightly below the 1962 level of \$11.05 per 100 pounds, in drums, f.o.b. plants. The turpentine market is firm with stocks declining and prices rising, as domestic and export requirements continue to exceed production and imports. The price of gum turpentine has been comparatively stable recently, averaging about 37 cents per gallon in tank cars, f.o.b. plants since midsummer. This compares with an average of about 25 cents during January-June 1963 and 20 cents during the 1962 crop year.

Not much change is anticipated in overall U. S. rosin production, with lower gum rosin output estimated to offset increased production of other types. On the other hand, increased sulfate wood turpentine output may more than compensate for the smaller gum turpentine crop, as production of all types increases an estimated 2 percent.

Overall requirements for U. S. rosin in 1963 are expected to change little from 1962. Increased domestic consumption is likely to be offset by reduced exports. The anticipated rise in domestic disappearance reflects expanded utilization in adhesives and paper size as well as a tendency toward increased consumer inventories of modified rosins. Exports are expected to decline about 7 percent in 1963 to the lowest level since 1952, partly because of a record foreign carryover last January 1. However, the combination of increased consumption and lower production abroad is expected to reduce overseas



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stocks next spring to about half that as of last January 1. This may increase U. S. exports next year, assuming foreign output does not increase significantly.

Increased domestic demand for turpentine stems from expanded industrial requirements, particularly for the beta pinene fraction. Expanded export requirements for U. S. turpentine reflect reduced foreign output and increased utilization at prices up to 35 cents per gallon.

The domestic carryout of all types of rosin next March 31 is expected to be the highest since the end of World War II but fully one-third below the record in 1941. This increased carryout constitutes a  $5\frac{1}{2}$  months supply of rosin, about in line with the long-term average. More than half of this rosin carryout will represent CCC loan stocks. About half of the 1963 gum rosin crop (12 percent of the estimated production of all types of rosin) is likely to be placed in the 1963 loan. In contrast, the turpentine carryout is expected to be the lowest in 5 years.

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